



3 1761 11637605 4

Mortgage Loan Insurance Handbook



Your
open door
to customer
satisfaction

CMHC MORTGAGE LOAN INSURANCE HANDBOOK
AMENDMENT RECORD SHEET

No.	Date	No.	Date	No.	Date	No.	Date	No.	Date
1	01-01-91	27		53		79		105	
2	24-05-91	28		54		80		106	
3	19-07-91	29		55		81		107	
4	26-07-91	30		56		82		108	
5	02-08-91	31		57		83		109	
6	16-08-91	32		58		84		110	
7	19-08-91	33		59		85		111	
8	30-08-91	34		60		86		112	
9	91-12-03	35		61		87		113	
10	92-01-24	36		62		88		114	
11	92-01-24	37		63		89		115	
12	92-02-10	38		64		90		116	
13	92-03-27	39		65		91		117	
14	92-04-27	40		66		92		118	
15	92-08-07	41		67		93		119	
16	92-08-28	42		68		94		120	
17	^{to} 99-04-30	43		69		95		121	
18		44		70		96		122	
19		45		71		97		123	
20		46		72		98		124	
21		47		73		99		125	
22		48		74		100		126	
23		49		75		101		127	
24		50		76		102		128	
25		51		77		103		129	
26		52		78		104		130	

Note: For completion instructions see II 0000-02.

200

200

200

200

200

200

200

200

200

200

200

200

200



Advice to Approved Lenders Avis aux prêteurs agréés

Date: 2001-11-30

No./N° : 88

CHANGE TO CMHC'S LEGAL COST ALLOWANCE FOR NOVA SCOTIA & MANITOBA

PURPOSE:

CMHC is announcing a modification to the new CMHC legal cost allowance applicable for straightforward non-contested claims in the Provinces of Nova Scotia and Manitoba.

BACKGROUND:

In Advice #85, released September 5, 2001, CMHC announced its updated Accelerated Claims Payment Plan (ACPP) Insurance Servicing guidelines for processing claims in effect beginning December 1, 2001. Within this document CMHC confirmed new maximum legal cost allowances for all provinces and territories which match their respective legal systems.

MODIFICATION AUX MONTANTS ALLOUÉS POUR LES FRAIS JURIDIQUES VALABLES POUR LA NOUVELLE-ÉCOSSE ET LE MANITOBA

OBJET

La SCHL annonce une modification aux montants alloués pour les frais juridiques valables pour les demandes de règlement simples, non contestées, dans les provinces de la Nouvelle-Écosse et du Manitoba.

CONTEXTE

Dans l'avis n° 85, daté du 5 septembre 2001, la SCHL annonçait les améliorations à la ligne de conduite relative à l'administration de l'assurance aux termes du Plan de règlement accéléré des demandes en vigueur depuis le 1^{er} décembre 2001. Dans le document, la SCHL confirmait les nouveaux montants maximaux alloués pour les frais juridiques valables pour toutes les provinces et les territoires, qui cadrent avec leurs tarifs respectifs.



POLICY CHANGE:

To reflect a recent significant change in provincial property legislation in Nova Scotia, as well as an update provided by our external benchmark solicitors in Manitoba, CMHC is now announcing a modification to certain allowances. For the Province of Nova Scotia and Manitoba, the posted up-to legal costs allowances have been replaced by the following:

	Deficiency Sale Claim \$	Title Transfer Claim \$	Assignment of Mortgage Claim \$
NS	6,100	6,000	N/A
MB	5,600	3,700	5,100

IMPLEMENTATION:

This policy change is effective immediately. Once an Approved Lender begins submitting claims under the updated guidelines, all new Main claim accounts being processed are eligible for this policy change.

If you have any questions, please contact Denys Chamberland, National Manager, Insurance Servicing at (613) 748-2672

Note: This amended policy and Advice #85 does NOT apply to non Accelerated Claims Payment Plan (ACPP) claims.

MODIFICATION DE LA LIGNE DE CONDUITE

Afin de prendre en considération, l'importante modification apportée à la loi provinciale de la Nouvelle-Écosse, ainsi que la mise à jour des points de repère extérieurs au Manitoba, la SCHL annonce maintenant la modification de certains montants alloués. Pour la Nouvelle-Écosse et le Manitoba, le barème des frais alloués pour les frais juridiques est remplacé par le suivant :

	Règlement du déficit résiduaire \$	Cession de titres \$	Cession de créance hypothécaire \$
NÉ	6 100	6 000	Sans objet
MB	5 600	3 700	5 100

MISE EN APPLICATION

Cette modification à la ligne de conduite entre en vigueur immédiatement. Dès qu'un prêteur agréé commence à présenter des demandes de règlement aux termes des lignes de conduite révisées, tous les nouveaux comptes faisant l'objet d'un versement du règlement principal en voie de traitement sont touchés par cette modification.

Pour toute question, communiquez avec Denys Chamberland, directeur national, Administration de l'assurance, au (613) 748-2672.

Note : La présente modification à la ligne de conduite et l'avis n° 85 NE TOUCHE PAS les demandes qui ne sont pas assujetties au Plan de règlement accéléré des demandes.

Karen Kinsley
Vice-president,
Insurance and Securitization



Vice-présidente
Assurance et titrisation



Advice to Approved Lenders Avis aux prêteurs agréés

No./n° 87

DATE: 2001-11-01

NOTIFICATION REQUIREMENT FOR INSURED LOANS CONTAINING FRAUDULENT, FALSE OR MISLEADING INFORMATION

PURPOSE:

To remind Approved Lenders of the requirement to notify CMHC Insurance Servicing Division immediately upon discovery of a fraud, or any account where false or misleading information was provided in relation to an NHA insured loan.

BACKGROUND:

These reporting requirements apply to all loans where any deceit or misrepresentation of information was relied upon in the approval of the loan in such areas as:

- Property type, characteristics, price
- Down payment source or amount
- Identity of the Borrower, Co-borrower(s) or Guarantor
- Employment or income verification
- Purpose (i.e. non-owner occupied)

OBLIGATION DE RAPPORTER TOUTE INFORMATION FRAUDULEUSE, FAUSSE OU FALLACIEUSE CONTENUE DANS LES DOSSIERS DE PRÊTS ASSURÉS

OBJET :

Rappeler aux prêteurs agréés qu'ils doivent aviser la Division de l'administration de l'assurance de la SCHL immédiatement après avoir détecté un cas de fraude ou découvert des renseignements faux ou fallacieux dans le compte d'un prêt assuré LNH.

CONTEXTE :

Ces exigences s'appliquent à tous les prêts accordés à la suite de fausses déclarations concernant :

- le type, les caractéristiques et le prix de la propriété,
- l'origine ou le montant de la mise de fonds,
- l'identité de l'emprunteur, du (ou des) co-emprunteur(s) ou du garant,
- l'occupation ou la source de revenus du demandeur,
- les fins pour lesquelles la propriété a été achetée (c.-à-d. logement non occupé par son propriétaire).



This information will be useful in enabling CMHC and Approved Lenders to work co-operatively toward reducing losses at an industry level.

POLICY CLARIFICATIONS:

Approved Lenders are reminded of their responsibility to practice due diligence in the approval and ongoing administration of mortgage loans. Where the borrower, or any other person involved with the transaction such as a broker, agent, lawyer, etc., provides fraudulent, false or misleading information in relation to the borrower(s), security (property), or any other aspect of an NHA insured loan, the account information should be reported to CMHC immediately upon discovery. Where default has occurred or is imminent due to reliance on false or misleading information, it is important to act quickly to mitigate losses.

Notification is requested via e-mail or fax, immediately upon the discovery of fraudulent, false or misleading information in connection with an NHA insured loan. An Advice of Fraudulent/False/Misleading Loan - Requested Information, CMHC 3092 is included for your reference. For e-mail reports, Approved Lenders may e-mail fraud@cmhc.ca and request an electronic copy of the form, or e-mail fraud@cmhc.ca and include all requested information. All corroborating information and documentation is to be retained on file and made available to CMHC upon request.

This policy refers to all NHA insured loans, regardless of current loan status.

IMPLEMENTATION:

This advice reflects existing policy.

Ces informations permettront à la SCHL et aux prêteurs agréés de travailler ensemble à la limitation des pertes dans le secteur.

PRÉCISIONS CONCERNANT LES LIGNES DE CONDUITE :

On rappelle aux prêteurs agréés qu'ils doivent faire preuve d'une diligence raisonnable dans l'approbation et le suivi administratif des prêts hypothécaires. Lorsqu'un emprunteur ou toute autre personne engagée dans une transaction (courtier, agent, avocat, etc.) fournit des renseignements frauduleux, faux ou fallacieux concernant le (ou les) emprunteur(s), la sécurité (propriété) ou tout autre aspect d'un prêt assuré LNH, les renseignements relatifs au compte doivent être transmis à la SCHL aussitôt après la découverte. Lorsqu'un prêt est en défaut ou sur le point de le devenir, parce qu'on s'était fié, à tort, à des données fausses ou fallacieuses, il est important d'agir rapidement pour limiter les pertes.

La notification doit se faire par écrit (message électronique ou télécopie), immédiatement après la découverte des informations frauduleuses, fausses ou fallacieuses se rapportant au prêt assuré LNH. Vous trouverez ci-joint, à titre de référence, le formulaire SCHL 3092, Notification d'informations frauduleuses, fausses ou fallacieuses concernant un prêt hypothécaire. Les prêteurs agréés qui préfèrent communiquer l'information par courrier électronique doivent s'adresser à fraude@schl.ca pour obtenir le formulaire correspondant qu'ils devront remplir et renvoyer, ou transmettre par courriel (à la même adresse) toute information pertinente requise. Les renseignements ou documents corroborant doivent être conservés dans le dossier de prêt et mis à la disposition de la SCHL sur demande.

Cette ligne de conduite s'applique à tous les prêts assurés LNH, quelle que soit la situation du prêt.

MISE EN OEUVRE :

Cet avis reprend les termes des lignes de conduite en vigueur.

ACTION:

Please retain a copy of this Advice in the front of the Insurance Servicing Manual. Insert the form CMHC 3092 in the Forms Completion Section of the Insurance Servicing Manual.

CONDUITE :

Garder une copie de l'avis au début du Manuel de l'administration de l'assurance et le formulaire SCHL 3092 dans la section « Instructions - formules » dudit manuel.

INQUIRIES:

All inquiries regarding this advice are to be referred to Denys Chamberland, National Manager, Insurance Servicing, CMHC National Office, 700 Montreal Road, Ottawa, Ontario, K1A 0P7 (613) 748-2672 dchamber@cmhc-schl.gc.ca


QUESTIONS :

Toute personne ayant des questions au sujet du présent avis doit s'adresser à Denys Chamberland, directeur national, Administration de l'assurance, Bureau national de la SCHL, 700, chemin de Montréal, Ottawa (Ontario) K1A 0P7, téléphone : (613) 748-2672, adresse électronique : dchamber@cmhc-schl.gc.ca

Vice-présidente, Assurance et titrisation



Karen Kinsley
Vice-president, Insurance and Securitization



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto

<https://archive.org/details/31761116376054>

CMHC MORTGAGE LOAN INSURANCE

Section

FORMS COMPLETION

Subject

Advice of Fraudulent/False/Misleading Loan:

Requested Information

Page

1

2001-11-01

Advice of Fraudulent/False/Misleading Loan - Information

TO: National Manager, Insurance Servicing
 Fax: (613) 748-2763
 Email: fraud@gcmhc-schl.gc.ca

Lender Contact Information

Name	(4)	City	(1)
Approved Lender	(5)	Province/State	(2)
Telephone	(6)	Postal Code	(3)
Other Lender Information (e.g. Bank Branch, Branch Name, CMHC Account Number, etc.)	(7)	CMHC Account No.	(8)
Property Address	(9)		

Borrower Information

Name	(10)	City	(1)
Loan Information	(10)	Province/State	(2)
Interest Rate		Postal Code	(3)
Original Contract Number (e.g. CMHC)		CMHC Account No.	(8)
Maximum Annual Interest			

Circumstances and Related Information

Circumstances and Related Information	

CMHC 3092

CMH PPU (4): CMHC is subject to the Privacy Act; individuals have a right of access to CMH disclosed information about themselves.

Disponible en français



CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FORMS COMPLETION	Advice of Fraudulent/False/Misleading Loan.	2
	Requested Information	2001-11-01

Instructions**General:**

Approved Lenders are requested to complete an Advice of Fraudulent/False/Misleading Loan, Form CMHC 3092, as soon as they become aware that an NHA insured loan contains fraudulent, false or misleading information.

The loan can be pre-approved, declined, active, delinquent or in claim at the time of report.

Approved Lenders may also report loans where no CMHC account number exists if it is suspected that application contains false information and it is also suspected that the Borrower may attempt to reapply at another financial institution.

Disposition: Complete one of the following:

1. Fax completed forms to the number indicated at the top left of the form.
2. E-mail information in any format to the address indicated at the top left of the form. A PDF (Adobe Acrobat Format) form will be returned to you upon receipt for future use.
3. Send a request via e-mail to the address on the top left of the form, requesting a PDF (Adobe Acrobat format) copy of the form. Use the PDF form to transmit future reports.

Report:

1. **Date:** Date the report was completed.
2. **Lender Ref. No.:** Lender's mortgage loan account number (Optional)
3. **CMHC Account Number:** CMHC account number (If available)
4. **Lender Contact Name/Title:** Name and title of employee who can provide additional information if required.
5. **Approved Lender:** Name, branch and address of lending institution
6. **Contact Phone Number:** Telephone number of individual named above.
7. **Contact E-mail ID:** E-mail address of individual named above.
8. **Other Loans Associated With the Same Individuals Scheme -** Provide the CMHC account number and/or the civic address of other properties where it is suspected that the same perpetrator(s) as in the reported loan, is involved in other, similar loans. The perpetrator may be an individual other than the borrower.
9. **Borrower Information:**
Borrower: Name of borrower. Include date of birth if available.
Co-borrower: Name of co-borrower. Include all co-borrowers/guarantors. Include date(s) of birth if applicable.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FORMS COMPLETION	Advice of Fraudulent/False/Misleading Loan: Requested Information	3 2001-11-01

10. Loan Information: (Optional if CMHC account number is provided)**Property Address:** Civic address of property.**Original Purchase Price:** Original purchase price.**Total Principal Owning:** Principal balance remaining on mortgage.**Total No. of Payments Made to Date:** Number of months full payment has been made on mortgage.**Estimated Current Market Value (CMV) (if available):** Estimated Current Market Value (if available).**CMV Based On:** Indicate how Current Market Value was obtained. Check all that apply (if applicable).**Months in Arrears (if applicable):** Number of months since last complete payment (if applicable).**Total Estimated Arrears Amount:** Estimated total amount required to bring the mortgage into current status (including taxes and utilities if applicable).**11. Circumstances and Related Information:**

Provide supporting information and other details known at the time of report.

Advice of Fraudulent/False/Misleading Loan - Information

TO: National Manager, Insurance Servicing
 Fax: (613) 748-2783
 Email: fraud@cmhc-schl.gc.ca

Date	
Lender Ref. No.	CMHC Account Number

Lender Contact Information

Name	Title
Approved Lender	Transit ID/City
Telephone () Extension	E-mail

Other Loans Associated with Same Individuals Scheme (supply CMHC account numbers if known)	
Property Address	CMHC Account No.
1)	
2)	
3)	

Borrower Information

Borrower	Co-Borrower
----------	-------------

Loan Information (Optional if CMHC account no. is provided)

Property Address	Original Purchase Price	
	\$	
	Total Principal Owning	Total No. Payments Made to Date
	\$	
Estimated Current Market Value (CMV) if available	CMV Based On <input type="checkbox"/> appraisal <input type="checkbox"/> tax assessment <input type="checkbox"/> previous listing <input type="checkbox"/> other (omit)	
\$		
Months in Arrears (if applicable)	Total Estimated Arrears Amount (including taxes and utilities if applicable)	
	\$	

Circumstances and Related Information (Use separate page if necessary)

CMHC 3092
 CMH PPU 040 CMHC is subject to the *Privacy Act*. Individuals have a right of access to CMHC-controlled information about themselves.

Disponible en français



Canada



Advice to Approved Lenders Avis aux prêteurs agréés

DATE: 2001-09-05

No. /N°: 85

REVISED GUIDELINES FOR THE ADMINISTRATION OF THE NHA INSURED LOAN SERVICING

CMHC is constantly reviewing its insured loan claim settlement processes with a view of introducing changes that can increase flexibility in decision making and promote administrative simplicity in claim processing for both CMHC and its Approved Lender clients. Over the past ten years various initiatives, such as the introduction of the Accelerated Claims Payment Plan (ACPP) and the Enhanced Deficiency Sales (EDS) Process have been well received and resulted in efficiencies and significantly reduced claim settlement time frames.

Pursuing these key directions CMHC recently completed a detailed analysis of its real estate disposal processes as well as a review of its eligible insured loan claim allowances. As a result, we are now pleased to introduce additional changes to our Insurance Servicing guidelines which build on our recent announcement of increased Approved Lender flexibility for Capitalization and Repairs.

RÉVISION DES LIGNES DE CONDUITE RELATIVES À L'ADMINISTRATION DES PRÊTS ASSURÉS EN VERTU DE LA LNH

La SCHL réexamine constamment le processus de traitement des demandes de règlement relatives aux prêts assurés dans le but de l'améliorer et d'y apporter des modifications susceptibles d'accroître la flexibilité en matière de prise de décisions, tant pour la SCHL que pour ses clients, les prêteurs agréés. Au cours des dix dernières années, diverses initiatives, comme le Plan de règlement accéléré des demandes (PRAID) et l'amélioration du processus de règlement du déficit résiduaire, ont été bien accueillies et se sont traduits par des gains d'efficacité et une réduction substantielle des délais de règlement des demandes.

Tout en continuant dans cette importante direction, la SCHL a récemment terminé l'analyse détaillée de son processus de vente des propriétés immobilières et l'examen des montants alloués pour les divers éléments des demandes de règlement d'assurance. Par conséquent, nous sommes maintenant heureux d'apporter d'autres modifications à nos directives en matière d'administration de l'assurance, lesquelles font suite à notre récente annonce d'assouplissement des exigences en matière de capitalisation et de réparations auxquelles doivent se soumettre les prêteurs agréés.

In order to further simplify processes and in accordance with Article 3 of the ACPP 9906-01 Umbrella Agreement with Approved Lenders, CMHC is introducing an updated set of published claim allowances to be managed by the Approved Lenders which will diminish the need to seek approvals from CMHC. Key changes include: increased Approved Lender decision making authorities; the bundling of various eligible expenses to simplify reporting; the recognition of interest payment on legal costs; and the establishment of a flat fee approach for eligible borrowers charges where possible.

You will find a detailed explanation of these changes in the attached Approved Lender communiqué. We thank you for your business to date, and we are confident that these modifications will continue to make CMHC your insurer of choice.

IMPLEMENTATION - For any Accelerated Claims Payment Plan (ACPP) Approved Lender, the updates to policy contained in this document are effective December 1st, 2001.

ACTION - Please amend your Accelerated Claim Payment Plan (ACPP) Handbook by replacing the following pages with the attached ACPP inserts:

- ACPP 9903-02 pages 2, 3 and 4
- ACPP 9904-01 pages 1, 2, and 3
- ACPP 9904-02 page 1
- ACPP Forms Completion Section

For future reference, please also insert the following sections of the Communiqué ahead of the following pages in your ACPP or Insurance Servicing (IS) Handbooks:

Afin de simplifier encore les processus et conformément à la partie 3 de l'accord-cadre conclu avec les prêteurs agréés (section 9906-01 du manuel du PRAD), la SCHL propose aux prêteurs agréés une nouvelle série de montants préétablis pour les règlements d'assurance, ce qui rendra moins nécessaire l'obtention de l'approbation de la SCHL. Parmi les principaux changements, citons : un pouvoir de décision accru pour les prêteurs agréés; le regroupement des diverses dépenses admissibles pour simplifier la production des rapports; la prise en compte des intérêts payés sur les frais juridiques; l'établissement de montants fixes pour les frais à la charge de l'emprunteur que les prêteurs agréés peuvent réclamer, le cas échéant.

Vous trouverez une explication détaillée de ces changements dans le communiqué ci-joint, préparé à l'intention des prêteurs agréés. Nous vous remercions de nous avoir fait confiance jusqu'à présent, et nous sommes persuadés que ces modifications permettront à la SCHL de demeurer votre assureur par excellence.

MISE EN OEUVRE - Pour tous les prêteurs ayant recours au Plan de règlement accéléré des demandes (PRAD), les lignes de conduite révisées, contenues dans le présent document, entrent en vigueur le 1er décembre 2001.

MESURES À PRENDRE - Dans votre exemplaire du manuel du PRAD (Plan de règlement accéléré des demandes), veuillez remplacer les pages suivantes par celles qui sont jointes au présent document :

- PRAD 9903-02, pages 2, 3 et 4
- PRAD 9904-01, pages 1, 2 et 3
- PRAD 9904-02, page 1
- Section PRAD « Instructions - Formules »

Pour pouvoir les consulter plus tard, veuillez également ajouter les sections suivantes du communiqué avant les sections du manuel du PRAD ou du Manuel de l'Assurance prêt hypothécaire indiquées ci-dessous :

- | | | | |
|--------------------------------------|--------------------|---|--------------------|
| 1. Real Estate Disposal process | | 1. Vente des propriétés immobilières | |
| Appraisals | | Évaluation | |
| <i>insert ahead of</i> | ACPP 0503-01 | <i>à insérer avant</i> | PRAD 0503-01 |
| Property Listings | | Inscription des propriétés | |
| <i>insert ahead of</i> | ACPP 0501-01 | <i>à insérer avant</i> | PRAD 0501-01 |
| Real Estate Comm. | | Commission de courtage immobilier | |
| <i>insert ahead of</i> | ACPP 0504-01 | <i>à insérer avant</i> | PRAD 0504-01 |
| 2. Property Management (1 - 3 units) | | 2. Gestion immobilière (1 - 3 logements) | |
| <i>insert ahead of</i> | IS 0306-03 | <i>à insérer avant</i> | AA 0306-03 |
| 3. Legal Costs | | 3. Frais juridiques | |
| Timeframe for Legal Action | | Délai au cours duquel une action en justice | |
| <i>insert ahead of</i> | ACPP 0203-01 | doit être intentée | |
| Interest on Legal Costs, Legal Cost | | <i>à insérer avant</i> | PRAD 0203-01 |
| Allowance and Legal Action Contested | | Intérêts sur les frais juridiques, | |
| <i>insert ahead of</i> | ACPP 9904-01 pg. 2 | Montants maximaux alloués pour les frais | |
| | | juridiques et, Action en justice contestée | |
| | | <i>à insérer avant</i> | PRAD 9904-01, p. 2 |
| 4. Claim Form Submission | | 4. Présentation d'une demande de règlement | |
| <i>insert ahead of</i> | ACPP 9903-01 | <i>à insérer avant</i> | PRAD 9903-01 |

ENQUIRIES - Should you have any questions regarding the content of this Communiqué, please contact Denys Chamberland, National Manager, Insurance Servicing, CMHC National Office, 700 Montreal Road, Ottawa, Ontario K1A 0P7.

DEMANDES DE RENSEIGNEMENTS
Si vous avez des questions au sujet du communiqué ci-joint, veuillez vous adresser à Denys Chamberland, directeur national, Administration de l'assurance, SCHL, 700, chemin de Montréal, Ottawa (Ontario) K1A 0P7.

Vice-présidente
Assurance et titrisation



Karen Kinsley,
Vice-president,
Insurance and Securitization

CMHC INSURANCE SERVICING POLICY ENHANCEMENTS

PURPOSE

This communiqué introduces a number of changes to CMHC's Insurance Servicing guidelines in the area of real estate disposal and insured claim settlement. The changes contained in this communiqué apply primarily to NHA insured loans for properties containing 1-3 units. However, for administrative simplification, at times the guidelines will also apply to other unit types. The document clearly identifies where guidelines apply to more than 1-3 unit properties.

The communiqué also introduces a new claim form to be used, for all unit counts, in conjunction with these modified guidelines.

IMPLEMENTATION Effective December 1, 2001

Any main claims received after November 30, 2001 will be processed under these new guidelines. All supplementary claims received after November 30, 2001 and having a main claim receipt date prior to **December 1, 2001**, will continue to be processed under the old guidelines.

BACKGROUND

In order to build on the efficiencies of the Accelerated Claims Payment Plan (ACPP) including the Enhanced Deficiency Sales (EDS) program, CMHC undertook two major process reviews: a thorough review of our real estate disposal procedures and a complete review of all our claim payment edits and published allowances which govern claim settlements to Approved Lenders. The changes being introduced are derived from the recommendations of these reviews. The recommendations were developed and based on client consultations, a detailed analysis of historic claim costs, and current real estate practices. CMHC then validated its findings with external benchmarks and market data to ensure the relevance of the revised allowances.

CMHC is pleased to introduce changes to the NHA Insurance Servicing Guidelines in the following areas:

1. Real Estate Disposal Process (1-3 unit properties only)
 - ✓ Appraisals
 - ✓ Property Listing
 - ✓ Real Estate Commission
2. Property Management (1-3 unit properties only)
3. Legal Costs (the maximum allowances applies to 1-3 unit properties only, interest on legal fees is however payable by CMHC on all properties, regardless of the number of units)
 - ✓ Time frame for Legal Action changed from 150 to 120 days
 - ✓ Interest paid on Legal Costs
 - ✓ Simplified Updated Maximum Legal Cost Allowance Schedule

4. Claim Form Submission (applies to all properties, regardless of the number of unit, but only once an Approved Lender is using new guidelines)
 - ✓ Revised Receipt Date for Title Transfer Claim Submission in BC and Yukon when Covenant Pursued
 - ✓ Revised Borrower's Charges / Claim Form

1. REAL ESTATE DISPOSAL PROCESS (1 - 3 UNIT PROPERTIES ONLY)

APPRAISALS

Background: A review of practices confirmed that two appraisals are in many instances time consuming and unnecessary. A number of National Approved Lenders are currently obtaining only one appraisal and a Comparative Market Analysis (CMA) report, and we have not seen an increase in the number of improvident sale challenges. These Approved Lenders are establishing the list and minimum sales price based on one appraisal and the CMA report. The CMA report supplements the professional opinion of value. This CMHC requirement for obtaining a CMA has been in place since the introduction of the Enhanced Deficiency Sale process. One appraisal and a CMA is sufficient in most jurisdictions. The notable exceptions are certain municipalities in the Province of Manitoba that require two appraisals, or in the Province of British Columbia when required by certain courts on a sale to CMHC in order to preserve the right to pursue the covenant.

Policy:

Number of Appraisals

The Approved Lender will obtain only one appraisal to accompany the Comparative Market Analysis (CMA) report. However, where legally required, CMHC will continue to recognize the cost of a second appraisal.

If the Approved Lender has done its due diligence and there is a challenge on the basis of improvident sale, CMHC will continue to indemnify the Approved Lender for additional costs incurred. The above policy replaces the existing ACPP 0503-01, page 1, "Approved Lender Responsibilities" guideline requirement for appraisals.

Appraisal Report Requirements

To facilitate the Approved Lender's real estate disposal process, along with existing ACPP 0503-01, Appraisal Report Requirements, appraisals must now contain:

- The appraiser's opinion of value for a 90 day sale time frame, and
- If the above is not the market value of the property, then the appraiser must provide on the appraisal an opinion of the time frame it will take to sell at market value. In this situation, the Approved Lender should take into account both estimates of value when establishing the listing price;
- In exceptional cases where an Approved Lender has concerns with the value of a property, and/or the CMA is not an adequate second opinion for the courts, the cost of an updated appraisal or the cost of a second appraisal will be recognized by CMHC.

Appraisal Cost Allowances

To ensure Approved Lenders are aware of applicable maximum allowances prior to hiring an appraiser, Approved Lenders may refer to the table at the bottom of this section. CMHC has determined that 4 levels of allowances would effectively cover market norms for both urban and rural areas across the country.

Areas	Maximum Appraisal Allowance Including Taxes
Manitoba, Saskatchewan, Alberta, British Columbia	\$325
PEI, Ontario	\$350
Newfoundland, New Brunswick, Nova Scotia, Quebec, Whitehorse (YK), Yellowknife (NWT)	\$400
Nunavut, NWT and Yukon (except for their capital cities), and <u>other</u> *	remote

*** Other:** Properties in any provinces where appraisal services are not readily available beyond one hour travel from where services are provided.

Exceptions applicable:

Please note, that CMHC will recognize additional costs related to the appraisal in remote areas, where professional appraisal services are not readily available and where additional costs may be justified. We would not expect the Approved Lender to contact CMHC for prior approval, but they should document their files where appraisal costs above the limit are submitted.

PROPERTY LISTINGS *(applies to 1 - 3 unit properties only):*

Background: Since the Enhanced Deficiency Sales (EDS) program has been launched, many clients have requested the option to exercise a longer marketing period for certain properties. In addition, CMHC's analysis determined that in many instances CMHC was capitalizing on Approved Lenders' marketing efforts as a significant number of properties were sold shortly after transfer to CMHC. These sales occurred with little or no reduction in the listing price. Based on the above, CMHC agrees that Approved Lenders should have the option to try and sell these properties in order to generate new business.

Policy: To enhance options to the existing ACPP 0501-01 Deficiency Sales for 1-3 Unit Properties guidelines, Approved Lenders now have the ability to undertake an optional second 90 day listing period prior to submitting their claims to CMHC. The conditions which apply for the re-listing period are as follows:

- The Approved Lender must review the physical condition of the property and take action to correct any deficiencies which are affecting marketability, prior to utilizing the new second 90-day listing. The Approved Lender has seven calendar days from the end of the first listing expiry to the beginning of the second listing to relist the property.
- The Approved Lender should actively manage the property, either by using their own staff or a hired property manager. As presented in CMHC's current guidelines, CMHC reemphasizes that once the property is listed 45 days, the first Market Activity Report is due. This report must be reviewed every 30 days and any discrepancies dealt with throughout the two listing periods.
- While the Approved Lender still has full authority over the listing price, the Approved Lender must reduce the list price to be eligible for the second 90-day listing period. The Approved Lender will maintain autonomy over the process and determines how much the price should be reduced based on market conditions.
- Prior to utilizing the optional second 90-day listing, the Approved Lender must review, assess and document the performance of the listing agent to ensure that under performing agents are replaced. The property must be re-listed in the second 90-day period, which means it is not just an extension to the listing. However, this may be with the same agent if performance is acceptable. A new listing, photograph, and property description must be prepared.

REAL ESTATE COMMISSION (*applies to properties with 1 - 3 units only*)

Background: A review of historical claimed data, market practices and information based on CMHC's own portfolio, revealed that the claimed costs paid by CMHC have in general not been reflective of achievable market real estate commission norms as required in existing ACPP policy (refer to existing guideline ACPP 0504-01 , "Realtor Selection Criteria"). It is important that market norms are achieved, as ultimately these costs are generally recovered from the defaulted borrowers through the pursuit of their covenant. A follow-up with Real Estate boards also confirmed that rates are negotiable. As a result, CMHC is introducing an updated allowance which is simple in its application, and allows Approved Lenders the flexibility to select their service providers without CMHC intervention. CMHC is confident that the new flat 5.5% real estate fee is achievable with limited negotiation at a portfolio level.

Policy: Real estate commissions will now be paid based on a 5.5% flat fee (plus applicable taxes) across the country for "any sale by Approved Lender".

- Approved Lenders may negotiate the rates they wish, however CMHC will recognize on a claim the 5.5% fee plus taxes only.
- To ensure that the 5.5% real estate fee never results in too low a fee, CMHC will apply a minimum payable amount of \$1,500 for properties with lower values.
- Actual commissions paid must always be disclosed and are still required for the calculation of the deficiency judgment against the defaulting borrower(s). CMHC's claims processing system will automatically calculate the flat 5.5 % fee and applicable tax upon receipt of the Approved Lender's actual commission rate paid.
- Any "sale by borrower" will be paid under the current guidelines (i.e. based on what was submitted and in line with market norms).

2. PROPERTY MANAGEMENT (1 - 3 unit properties only)

Background: During our consultation with clients, it was indicated that simplification could be achieved if CMHC did not intervene on line by line property management related costs, and that this was an area that could be improved through simplification. CMHC felt it could facilitate administrative simplification by bundling inspections, property protection and other standard costs common to all foreclosed properties, into one category called property management. Our analysis also indicated that overall claimed costs varied substantially by province as a result of the length of time associated with the various provincial and territorial legal actions. As a result, CMHC is introducing a provincial/territorial flat fee to reimburse Approved Lenders for property management costs, based on market data and legal action time frames. CMHC is not distinguishing between urban and rural properties, however overall the rates have been established at a level to accommodate both types of properties.

Approved Lenders should note that certain costs previously associated with maintenance, such as cleaning and refuse removal are now captured under CMHC's new repair allowance (refer to Communiqué #82).

Policy: CMHC will reimburse Approved Lenders for their property management costs using a provincial property management flat fee per claim account (refer to table at the bottom of this section).

- For the period from default until the end of the first listing, the flat fee covers:
 - ✓ securing of the property
 - ✓ winterization
 - ✓ inspections
 - ✓ routine tasks of snow removal and lawn maintenance
- The costs associated with inspection and property security used to be reimbursed under the Inspection Fee Code # 300 and the Property Protection code # 303 (refer to the existing Insurance Servicing handbook IS 0306-03, page 1, "Vacant Houses" and "Occupied Houses" and in IS 0306-04, page 1, "Vacant Occupied Properties Approved Charges"). These costs are now automatically reimbursed under the new Property Management Fee, Code # 110.
- Interest will be paid on Property Management costs in the same manner as the current Inspection Fee interest is applied (i.e. for 1 to 3 units properties interest is paid at the mortgage interest rate and from the midpoint between the default date and the complete Main claim receipt date or sale closing date, which ever occurs first). Approved Lenders will submit the dollar amount of the property management flat fee as well as the default date on their claim, CMHC's system will automatically calculate the interest upon receipt of claim.
- As under the present Insurance Servicing guidelines, Approved Lenders are expected to:
 - ✓ maintain their records;
 - ✓ document in their files important dates such as preliminary and final inspections, and any inspections revealing property damage and actions related to rectify the situation;
 - ✓ provide the above upon request; and
- Approved Lenders do not have to disclose actual costs incurred on property management to CMHC on the claim form.

	Flat Property Management Fees
Newfoundland	\$2,100
P. E. I.	\$2,125
Nova Scotia	\$1,800
New Brunswick	\$1,875
Quebec	\$1,875
Ontario	\$2,100
Manitoba	\$2,200
Saskatchewan	\$2,625
Alberta	\$1,550
NWT / Nunavut	\$2,200
British Columbia	\$2,100
Yukon	\$3,200

Exceptions applicable to above table:

- In cases of contested legal action, which are clearly outside the control of the Approved Lender, an exception is made. The Approved Lender will advise CMHC of the delay, as per current policy (refer to ACPP 0402-05), and costs will be reimbursed based on the flat fee plus \$50. per week for each week that the delay exceeds the provincial legal timing.
- Another exception to the flat property management fee per claim account policy is as follows: for any Approved Lender that exercises the second listing option, CMHC will reimburse the Approved Lender for the additional costs at a rate of \$25 per week, for each week beyond the initial 90 day listing. This cost should be charged to the borrower's charge entitled "2nd Listing Property Management". The Approved Lender has up to 1 calendar week to re-list where required.
- To ensure property management reimbursement is adequate, CMHC recommends that Approved Lenders request their realtors to check on the property weekly during the listing period. (Note: The \$25 weekly allowance for the 2nd Listing is less than the \$50 weekly allowance for contested cases as it is expected that the Approved Lender will have the realtor checking on the property during the listing. In contested cases the property is not yet listed, so higher inspection costs are reimbursed.)

3. LEGAL COSTS

A) TIME FRAME FOR LEGAL ACTION CHANGED FROM 150 TO 120 DAYS (*applies to all properties*)

Background: Research reveals that once an account is over 90 days in arrears the account is generally not salvageable. The incidence of loans that are saved after the 120th day in arrears is negligible. Information obtained from clients confirms that legal action is initiated on conventional mortgages at 120 days in arrears. The revised policy will match conventional mortgage practices.

Our analysis also revealed, in those jurisdictions where it is applicable, that after the Statement of Claim issuance, the likelihood of recovery is negligible, and to be cost efficient it is advisable to issue the Notice of Sale as soon as possible after the Statement of Claim.

Policy: In the event that an arrangement cannot be concluded with the defaulting borrower and the Insured Loan is not reinstated, the Approved Lender shall begin legal proceedings as soon as it is appropriate to do so, and in any event no later than 120 days from the date of default. However, in certain instances CMHC may specifically instruct the Approved Lender to delay the commencement of legal proceedings (i.e. environmental issues). This revised "120 day" guideline supersedes the current 150 day requirement contained within the existing ACPD Section 0203-01 guideline. All other requirements remain the same.

In concert with this reduced time frame, Approved Lenders are encouraged to issue instructions to their solicitors, in jurisdictions where both a Statement of Claim and Notice of Sale are required, that the Notice of Sale should occur as soon as possible after the Statement of Claim has been served.

B) INTEREST ON LEGAL COSTS *(applies to all properties, regardless to the number of units)*

Background: In the past, it has not been CMHC's practice to recognize interest payments on legal costs. Under the new guidelines, CMHC will be in a position to offer interest on legal expenses, through the introduction of the new legal borrower's charges.

Policy: CMHC interprets legal costs as being an eligible borrower's charge for Approved Lenders under the new guidelines.

C) LEGAL COST ALLOWANCE

(maximum allowances apply to 1-3 unit properties only, however, the new legal borrower's charge codes apply to all properties regardless to the number of units)

Background: Since the Accelerated Claims Payment Plan (ACPP) was introduced, Approved Lenders have advised CMHC that while they appreciated the fact that legal invoices no longer had to be submitted, they found the required breakdown between Acquisition, Judgment and Sale/Closing fees and disbursement unnecessarily cumbersome. Approved Lenders desired a clear allowance which recognized Canada's varying provincial property legal system and would be simple to apply. Approved Lenders told us they needed to clearly know what CMHC was willing to reimburse for legal costs prior to hiring a solicitor.

CMHC took these concerns into consideration when reviewing the existing maximum legal fee allowances. In its analysis CMHC reviewed: historical claimed legal costs; external benchmark data; and provincial tariffs. CMHC's internal solicitor then validated the findings. To simplify and recognize provincial legal variations, based on the preferred mortgage remedy, CMHC has established an updated maximum legal cost policy by province and territory to replace the existing allowances as detailed in the ACPP manual sections 9904-01, page 1, and 9904-01, page 3.

Policy: For straight forward, completed, non-contested realization proceedings, Approved Lenders need not submit invoices with their claims, as long as legal costs do not exceed the following maximum provincial and territorial legal cost allowances:

	DEFICIENCY SALES (including applicable taxes)	TITLE TRANSFERS (including applicable taxes)
Newfoundland	\$3,500	\$3,000
P. E. I.	\$3,300	\$3,900
Nova Scotia	\$5,100	\$5,000
New Brunswick	\$3,200	\$3,200
Quebec (1)	\$3,700	\$4,500
Ontario	\$4,000	\$3,500
Manitoba (2)	\$3,500	\$3,700
Saskatchewan	\$4,500	\$3,700
Alberta	\$4,800	\$4,400
NWT / Nunavut	\$3,500	\$4,300
British Columbia	\$4,800	\$5,000
Yukon	\$4,300	\$4,700

Note: The maximum provincial and territorial legal cost allowances established for non-contested legal actions includes fees, disbursements and taxes, as well as the cost of purchasing title insurance where applicable (note: title insurance replaces other legal costs).

Exceptions applicable to above table:

- (1) **QUEBEC:** The preferred legal action of “taking in payment” may have resulted in the setting of an allowance which may not facilitate legal actions where a Lender would like to pursue a personal covenant. CMHC expects the Approved Lender to determine if there is any value in pursuing a covenant. In those instances where the Approved Lender provides CMHC with judgments, we will recognize additional legal costs associated with getting a judgment.
- (2) **MANITOBA:** The maximum legal allowance for an Assignment of Mortgage is \$4,300. Approved Lenders are to advise their solicitors that they should only proceed with an Assignment of Mortgage if the property has not sold and the covenant is worth pursuing.
- (3) **IN ALL PROVINCES & TERRITORIES:** CMHC will reimburse Approved Lenders for legal costs incurred as a result of a possession action, when not combined with the covenant, to a maximum of \$750.00 per claim account (i.e. evictions) in legal fees, plus related disbursements.

(4) **IN ALL PROVINCES & TERRITORIES:** The above allowances apply to 1-3 unit accounts only, however, the new borrower charge codes created in order to record payable interest, (refer to the revised borrowers charges, Section ACPP "Claim Form Completion" attached) will also be used to process claims for all unit counts. For any claim with more than 3 units, and if the legal costs incurred exceed the allowance, then the Approved Lender is to advise CMHC prior to incurring the cost, and the invoices should be submitted with the claim.

D) LEGAL ACTION CONTESTED (applies to all properties)

Policy: CMHC will reimburse Approved Lenders for legal costs that exceed the published edits when the legal action is contested as per existing ACPP guideline 9904-01, page 2, "Contested realization proceedings - Approved Lenders: all provinces". Approved Lenders are to advise CMHC of contested cases prior to incurring costs in excess of the maximum legal cost allowances and should submit the invoices with their claims.

4. **CLAIM FORM SUBMISSION** *(applies to all properties once an Approved Lender is using new guidelines)*

A) Revised Receipt Date for Title Transfer Claim Submission in British Columbia and Yukon when the Covenant is Pursued

Background: In cases where the covenant is being pursued in BC and Yukon, under the current guidelines, ACPP 0508-01, page 5, entitled “Main Claim Filing Requirements”, CMHC requests Approved Lenders submit their title transfer claims to CMHC within five (5) business days of the date the Court approves the sale to CMHC. This resulted in Approved Lenders forwarding claims to CMHC prior to the sale closing date. As a result, CMHC is introducing a new policy to replace ACPP 0508-01, in order to better accommodate the BC and Yukon situation.

Policy: “Title Transfer Main Claim Filing for British Columbia and Yukon with Judgment on the Covenant” - The Approved Lender will submit its title transfer claim to the Claims Payment Centre within five (5) business days of the sale closing date of the Court approved sale to CMHC. The Approved Lender will also indicate on the CMHC claim form the date that the sale to CMHC closed. The Approved Lender will also include within the borrower’s charges the amount of the sale price received from CMHC and the date under the borrower’s charge code entitled “BC Special Payment”. These funds already received by the Approved Lender from CMHC will be deducted from the claim amount payable.

As per existing policy:

- ✓ The Approved Lender will ensure when its solicitor is closing the sale, that the discharge of the mortgage and Assignment of Judgment are also registered.
- ✓ Under this process CMHC will not take over responsibility for the property unless the defaulting borrower has vacated the property.
- ✓ Following receipt of the Approved Lender’s claim, the property takeover process, as described in Section ACPP 0508-01, will be followed.

Exception to policy:

Whenever the defaulting borrower remains in the property until the Vesting Order Date, as approved by the Court, the Approved Lender will submit its title transfer claim to the Claims Payment Centre within five (5) business days of the Vesting Order date. Under these circumstances Approved Lenders are to enter on the main claim form the Vesting Order date, rather than the BC Sale Closing date.

B) REVISED BORROWER'S CHARGES AND CLAIM FORM

Background: It is necessary to update the existing borrower charge codes and claim form to accommodate the following revised ACPP guidelines: new approach for reimbursement of property management related costs; a simplified legal submission process which recognizes interest; and the introduction of an optional second listing period. In addition, while not yet introduced, CMHC attempted to further simplify the claim submission process for Approved Lenders by reducing the number of other borrower's charge codes and/or by providing a clearer name to the existing codes.

Policy: Beginning **December 1, 2001**, when an Approved Lender starts the new process, and begins following the new guidelines, claim form 62287 (English) or 62283 (French) replaces the existing claim form 2898. The accompanying new borrower charges also become effective as of that date.

- Existing guidelines ACPP 9903-01, page 1, and ACPP 9903-02, page 1, continue to apply, however, the guidelines ACPP 9903-02 page 2, 3 have been replaced with the attached.
- The existing ACPP "Form Completion" section at the back of the ACPP handbook has been completely replaced with the attached ACPP insert.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PUBLISHED EDITS -	Single and Multiple	2
BORROWER'S CHARGES	Account Claims	2001-09-05

NEW BORROWER CHARGES *(for any Main Claim received after November 30, 2001 and its subsequent supplementary claim.)*

Note: The first 3 borrower's charges listed below, 030 to 070, are applied in the opposite manner of a standard borrower's charge, as these charges will reduce the amount of claim payable.

030 - BC Special Payment (applies to BC and Yukon, Title Transfer claims only -- where covenant is pursued)

050 - Settlement - Payment in lieu of Judgment

070 - Property Damage / Insurance Settlement

110 - Property Management Fee

A flat provincial / territory property management fee applied per claim account (only to 1-3 unit properties).

115 - 2nd Listing Property Management

\$25 per week from the date the first listing expires, to the main claim receipt date for a Title Transfer / Assignment of Mortgage claim, or to the Sale Closing date for a Deficiency Sale claim

(applies only to 1-3 unit properties where the second listing option is selected).

120 - Taxes Prior to Default

130 - Taxes After Default

LEGAL

140 - Legal Fees

150 - Legal Disbursements

160 - Eviction / Contest Fees

170 - Eviction / Contest Disbursements

Refer to Maximum Legal Costs table for 1 to 3 unit property accounts, presented in Communiqué #85 and ACPP 9904-01.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PUBLISHED EDITS -	Single and Multiple	3
BORROWER'S CHARGES	Account Claims	2001-09-05

OTHER

180 - Utility Expense

Includes: Hydro, Heating, Water and Sewer costs

190 - ESA Costs

Includes: Environmental site assessment costs, remediation costs relating to environmental contamination as approved by CMHC, and costs for the removal of the registered priority lien for environmental costs

EXISTING BORROWER CHARGES (*remaining after November 30, 2001*)

100 - Insurance (property insurance premium)

202 - Condominium / Strata Fees

203 - Land Lease / Chattel Fees Paid

204 - Mechanic's / Builder's Liens - Privileges

300 - Inspection fees (*applicable only to 4 plus unit accounts*)

\$25 per week from the date of default to the date that:

- the final inspection is completed for any Title Transfer or Assignment of Mortgage;
- or to the sale closing date with a third party purchaser for any Deficiency Sale.

Whenever a management fee is recognized by CMHC as an approved borrower charge for multiple accounts CMHC does not recognize inspection fees, since inspections are part of the normal administrative process.

301 - Appraisals

Must be done by appraisers accredited by either AACI (EA in Quebec) or CRA. Refer to maximum allowance table for 1- 3 unit accounts -contained in Communiqué #85.

302 - Credit and Financial Recovery Reports

Required for financial assessment: one per covenantor (refer to Communiqué #81).

303 - Property Protection (*applicable only to 4 plus unit accounts*) Expenses incurred for winterizing, securing the property, boarding the property, changing of locks, antifreeze, snow removal and lawn maintenance, etc.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PUBLISHED EDITS -	Single and Multiple	4
BORROWER'S CHARGES	Account Claims	2001-09-05

305 - Property Repairs

Expenses incurred related to the following items: renovations to enhance value and marketing; cosmetic improvements (i.e. cleaning, painting, flooring replacement and minor repairs); health and safety repair items; heating system; removal of refuse and belongings; non insurable peril expenses related to health and safety of an occupied building; or damage caused by a catastrophic event. The maximum amounts that the Approved Lenders are authorized to approve are as follows:

- For 1 to 3 unit properties - \$5,000 total per claim account.
- For properties with more than 3 units - The greater of \$5,000 total per claim account or \$1,000 total per occurrence per unit.

400 - Operating Deficit (multiples only)

999 - Other - A description is required.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PUBLISHED EDITS -	Single Account Claims	1
LEGAL COSTS		2001-09-05

For straight forward, completed, non-contested realization proceedings, Approved Lenders need not submit invoices with their claims, as long as legal costs do not exceed the following maximum provincial and territorial legal cost allowances:

	DEFICIENCY SALES (including applicable taxes)	TITLE TRANSFERS (including applicable taxes)
Newfoundland	\$3,500	\$3,000
P. E. I.	\$3,300	\$3,900
Nova Scotia	\$5,100	\$5,000
New Brunswick	\$3,200	\$3,200
Quebec (1)	\$3,700	\$4,500
Ontario	\$4,000	\$3,500
Manitoba (2)	\$3,500	\$3,700
Saskatchewan	\$4,500	\$3,700
Alberta	\$4,800	\$4,400
NWT / Nunavut	\$3,500	\$4,300
British Columbia	\$4,800	\$5,000
Yukon	\$4,300	\$4,700

Note: The maximum provincial and territorial legal cost allowances established for non-contested legal actions includes fees, disbursements and taxes, as well as the cost of purchasing title insurance where applicable (note: title insurance replaces other legal costs).

Exceptions applicable to above table:

(1) **QUEBEC:** The preferred legal action of "taking in payment" may have resulted in the setting of an allowance which may not facilitate legal actions where an Approved Lender would like to pursue a personal covenant. CMHC expects the Approved Lender to determine if there is any value in pursuing a covenant. In those instances where the Approved Lender provides CMHC with judgments, we will recognize additional legal costs associated with getting those judgments.

(2) **MANITOBA:** The maximum legal allowance for an Assignment of Mortgage is \$4,300. Approved Lenders are to advise their solicitors that they should only proceed with an Assignment of Mortgage if the property has not sold and the covenant is worth pursuing.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PUBLISHED EDITS -	Single Account Claims	2
LEGAL COSTS		2001-09-05

(3) **IN ALL PROVINCES & TERRITORIES:** CMHC will reimburse Approved Lenders for legal costs incurred as a result of a possession action, when not combined with the covenant, to a maximum of \$750.00 per claim account (i.e. evictions) in legal fees, plus related disbursements.

(4) **IN ALL PROVINCES & TERRITORIES:** The above allowances apply to 1-3 unit accounts only, however, the new borrower charge codes created in order to record payable interest, (refer to the revised borrowers charges, Section ACPP "Claim Form Completion") will also be used to process claims for all unit counts. For any claim with more than 3 units, where the legal costs incurred will exceed the allowance, the Approved Lender is to advise CMHC prior to incurring the cost, and the invoices should be submitted with the claim.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PUBLISHED EDITS -	Single Account Claims	3
LEGAL COSTS		2001-09-05

CONTESTED
REALIZATION
PROCEEDINGS

Where applicable the tariff of the federal Department of Justice will apply.

APPROVED LENDERS:
ALL PROVINCES

In contested proceedings, the following fees are not recognized as acceptable legal costs:

- fees considered unreasonable under the circumstances of any particular case;
- fees covering services of an administrative nature rendered by a solicitor;
- fees covering services unrelated to the insurance coverage;
- fees covering services required due to errors/omissions on the part of the Approved Lender and/or its solicitor;
- as per CMHC policy for non contested cases, fees required to correct title defect or other matter that predates its mortgage;
- fees incurred in earlier proceedings that resulted in reinstating the loan, etc.

CMHC does not consider itself bound by any taxed account submitted by an Approved Lender's solicitor where CMHC did not request the taxation.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PUBLISHED EDITS -	Multiple Account Claims	1
LEGAL COSTS	All Provinces	2001-09-05

INTRODUCTION

CMHC will recognize such legal costs as it deems reasonable.

TITLE INSURANCE

With respect to “title insurance” and “Approved Lender’s solicitor’s certificate” it is to be extended to CMHC, CMHC’s pre-approval is required as to the amount to be charged and paid.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FORMS COMPLETION	Request - Claim Payment (NHA)	1
		2001-09-05

REQUEST - CLAIM PAYMENT (NHA)
Accelerated Claim Payment Plan

Page 1 of 2

<input type="checkbox"/> 1. Main Claim <input type="checkbox"/> 2. Supplementary Claim		Protected when completed 4. Approved Lender Ref. Number 5. CMHC Account Number		3. Date Claim Rec'd CMHC USE ONLY
To: : Claims Payment Centre Canada Mortgage and Housing Corporation 700 Montreal Rd. Ottawa ON K1A 0P7		6. From 7. TRANSIT I.D. Financial Institution Code Transit Code		
8. Claim Payee <input type="checkbox"/> Approved Lender <input type="checkbox"/> Approved Lender Jointly With				
PROPERTY DETAILS				
9. Civic Address No. Name Type Direction Unit No. City/Municipality Province Postal Code		11. Complete Legal Description		
10. No. of Beds/Units Beds Units				
BORROWERS DETAILS				
12. Name(s) A) B) C) D)		13. Date of Birth Y Y Y Y M M D D		14. Covenantor = C or Guarantor = G 15. Settlement 16. Obtained 17. Ongoing 18. Not Pursued 19. Bankrupt
				19. ANY ADDITIONAL SECURITY, E.G. <input type="checkbox"/> Chattel Mortgage <input type="checkbox"/> Promissory Note <input type="checkbox"/> Other
CLAIM DETAILS				
20. Type of Claim <input type="checkbox"/> Title Transfer OR <input type="checkbox"/> Assignment OR <input type="checkbox"/> Deficiency Sale By Approved Lender By With Legal Action By Approved Lender By Borrower By Without Legal Action By Borrower		21. Mobile Home on Leased Land <input type="checkbox"/>		
22. Type of Legal Action <u>Common Law</u> <input type="checkbox"/> Foreclosure <input type="checkbox"/> Quit Claim <input type="checkbox"/> Power of Sale <input type="checkbox"/> Other (specify) <u>Civil Law (Quebec)</u> <input type="checkbox"/> Taking in Payment - by Force <input type="checkbox"/> Giving in Payment <input type="checkbox"/> Taking in Payment - Voluntary <input type="checkbox"/> Sale by Judicial Authority				
23. Date Legal Action Started (YYYY/MM/DD)		24. Date Legal Action Completed (YYYY/MM/DD)		25. B.C. Sale Closing Date (YYYY/MM/DD)
26. Date Listing Expired (4+ units only) (YYYY/MM/DD)		27. Date Final Inspection Requested (4+ units only) (YYYY/MM/DD)		28. Date Final Inspection Completed (4+ units only) (YYYY/MM/DD)
29. Claim Filing Extension Obtained <input type="checkbox"/> Yes <input type="checkbox"/> No		30. Approved Lender's Corporate Warranty OR Approved Lender's Solicitor's Certificate to CMHC OR Title Insurance		
31. Contested Eviction <input type="checkbox"/> Yes <input type="checkbox"/> No		32. Interest Adjustment Date (YYYY/MM/DD)		33. Interest Rate at Default (mortgage only) %
34. Due Date of Last Complete Instalment Paid (Not date payment was received) (YYYY/MM/DD)				
35. Principal Balance Owed As At Above Date (refer to field 34) \$				
36. Tax Account Balance As At Above Date (refer to field 34) <input type="checkbox"/> Deficit <input type="checkbox"/> Surplus \$				
37. Unearned Portion of Interest Buydown (if applicable) \$				
38. Deficiency Sale Sale closing date and price Y Y Y Y M M D D \$				
Real estate commission paid Y Y Y Y M M D D \$				
Date offer accepted Y Y Y Y M M D D				
39. Number of Calendar Days Deferred, not Reimbursed (1 - 4 units only)				

62287 (CMHC 2898)

CMHC PPU 040 Canada Mortgage and Housing Corporation is subject to the Privacy Act. Individuals have a right of access to CMHC controlled information about themselves.

Disponible en français



62287

Section

FORMS COMPLETION

Subject

Request - Claim Payment (NHA)

Page

2

2001-09-05

Page 2 of 2

Protected when completed

4. Approved Lender Ref. Number

5. CMHC Account Number

1 TO 3 UNIT PROPERTIES ONLY

40. Name of Representative which CMHC should contact to obtain Keys (Title Transfer Assignment)										Telephone Number ()	
41. Property Occupancy Status		<input type="checkbox"/> Vacant Since		Y Y Y Y MM DD	Occupied By <input type="checkbox"/> OR <input type="checkbox"/> Tenant		<input type="checkbox"/> Borrower		<input type="checkbox"/> Relative of Borrower		

First Listing Period

First Listing Period															
42. Approved Lender's Listing Date	Y	Y	Y	Y	MM	DD	43. Approved Lender's Listing Expiry Date	Y	Y	Y	Y	MM	DD	44. Approved Lender's List Price	\$
45. Revised List Price							46. Approved Lender's Appraisal Date	Y	Y	Y	Y	MM	DD	47. Approved Lender's Appraisal Value	\$
48. Comparative Market Analysis Date	Y	Y	Y	Y	MM	DD	49. Comparative Market Analysis Value							50. Minimum Sale Price Acceptable	\$

Second Listing Period

Second Listing Period															
51. Approved Lender's Listing Date	Y	Y	Y	Y	MM	DD	52. Approved Lender's Listing Expiry Date	Y	Y	Y	Y	MM	DD	53. Approved Lender's List Price	\$
54. Revised List Price	Y	Y	Y	Y	MM	DD	55. Approved Lender's Appraisal Date	Y	Y	Y	Y	MM	DD	56. Approved Lender's Appraisal Value	\$
57. Comparative Market Analysis Date	Y	Y	Y	Y	MM	DD	58. Comparative Market Analysis Value	\$	59. Minimum Sale Price Acceptable						

60. Borrower's Charges

[illegible]

61. Partial Payments on Mortgage

[illegible]

62. N.O.I / Rental Income

[illegible]

63. TOTAL BORROWER'S CHARGES

\$

64. Printed Name of Lender's Authorized Officer	65. Fax No ()	66. Telephone Number ()	67. Filing Date (YYYY/MM/DD)
---	-------------------	-----------------------------	------------------------------

ACCELERATED CLAIM PAYMENT PLAN

62287

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FORMS COMPLETION	Request - Claim Payment (NHA)	3
		2001-09-05

1. Main Claim - Check the applicable box to indicate if the claim is the original demand for reimbursement
2. Supplementary Claim - Check the applicable box if the claim is a supplementary demand for reimbursement of claimable items not included with the original demand
3. Date Claim Received - (For CMHC use only)
4. Approved Lender Reference Number - Enter the Approved Lender's reference number
5. CMHC Account Number - Enter the CMHC account number
6. From - Enter the name and address (office processing the claim) of the Approved Lender
7. Transit I.D. - Indicate your Transit Code and Financial Institution Code assigned by the Canadian Bankers Association, or CMHC where applicable
8. Claim Payee - Check the first box to indicate if the Approved Lender is the Payee. Check the second box to indicate if the Approved Lender administers the loan, and the payment is to be made jointly
9. Civic Address - Enter the proper civic address where the property is located
10. No. of Beds/Units - Indicate the number of Beds or Units depending on what basis the loan was made
11. Complete Legal Description - Provide the complete legal description of the property (if it is too long to enter onto claim, simply indicate "see title(s) document"). In Quebec, please enter the "cadastrale information."
12. Name(s) - Indicate the full name(s) of all Borrowers
13. Coventor or Guarantor - Specify whether the individuals are covenantors (C) or guarantors (G)

JUDGMENT ACTION

For each borrower, indicate the current status of the judgment action on the covenant/guarantee (from #14 to #19) .

14. Settlement - Indicate "yes" if there is a settlement agreement.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FORMS COMPLETION	Request - Claim Payment (NHA)	4
		2001-09-05

15. Obtained - Indicate "yes", if a judgment on the covenant/guarantee was obtained at the time of claim filing. If it is only the assignment process of the judgment that remains to be completed at the time of the claim filing, judgment should be indicated as having been obtained.
16. Ongoing - Indicate "yes" for each covenantor/guarantor if the action on the covenant/guarantee is ongoing at the time of claim filing.
17. Not Pursued - Indicate "yes" for each covenantor/guarantor if the action on the covenant/guarantee was not, or will not be, pursued.
18. Bankrupt - Indicate "yes" for each covenantor/guarantor if bankruptcy has been declared.
19. Any Additional Security - Indicate whether any additional security was taken in support of the loan prior to default, and is to form part of the claim, such as a chattel mortgage on appliances, a promissory note, postdated cheques, etc.
20. Type of Claim - Indicate the type of claim being filed: Title Transfer; or Assignment of Mortgage; or Deficiency Sale. Also indicate below the type of claim selected whether the Deficiency Sale or Transfer was by "Approved Lender" or "by Borrower". In the case of an Assignment of Mortgage, indicate whether it was "with Legal Action" or "without Legal Action".
21. Mobile Home - Check box if property is a chattel mortgage (i.e. mobile home with no security on the land).
22. Type of Legal Action - Indicate in the appropriate box on the claim form the nature of the legal action pursued to complete the realization proceedings.

Common Law	Civil Law (Quebec)
Foreclosure	Taking in Payment - by Force
Power of Sale	Taking in Payment - Voluntary
Quit Claim	Giving in Payment
Other - specify	Sale by Judicial Authority

23. Date Legal Action Started - Enter the date that the Common Law or Civil Law legal action started (i.e. Notice of Sale).
24. Date Legal Action Completed - Enter the date that the Common Law or Civil Law legal proceedings (excluding judgment where applicable) were completed.
25. BC Sale Closing Date - This field applies only to title transfer claims in BC and Yukon where the covenant is pursued. Enter the date the sale closed to CMHC.

ACCELERATED CLAIM PAYMENT PLAN

62287

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FORMS COMPLETION	Request - Claim Payment (NHA)	5
		2001-09-05

26. Date Listing Expired - For properties in excess of 3 units, enter, whenever there is no sale, the date the listing expired as per CMHC's instructions.
27. Date Final Inspection Requested - Enter the date that the Final Inspection is requested from CMHC (this applies only to title transfer or mortgage assignments for properties in excess of 3 units).
28. Date Final Inspection Completed - Enter the date that the Final Inspection was completed. (this applies only to title transfer or mortgage assignments for properties in excess of 3 units).
29. Claim Filing Extension Obtained - Check the box if an extension was obtained from the CMHC Claim Payment Centre.
30. Approved Lender's Corporate Warranty, Approved Lender's Solicitor's Certificate to CMHC or Title Insurance - Check the box for the appropriate coverage by your financial institution.
31. Contested/Eviction - Check the box if the legal action was contested or if eviction costs were incurred beyond the standard possession action that is combined with the covenant.
32. Interest Adjustment Date - Enter the final established Interest Adjustment Date (Note: Regular monthly mortgage payments commence one month after the Interest Adjustment Date. This date is established at the time the mortgage is committed with the original lending institution).
33. Interest Rate At Default - Enter the monthly, semi annual interest rate in effect at the time of default (do not include life insurance or disability).
34. Due Date of Last Complete Installment Paid - Enter the due date of the last complete installment paid. Note that this is not necessarily the date on which the payment was received, but the date this payment covers (e.g. The last time the mortgage was up to date).
35. Principal Balance Owing (As per the date entered in Box 34) - Enter the amount of the principal balance owing as at the date identified in box 34.
36. Tax Account Balance (As per the date entered in Box 34) - Enter the amount of the deficit or surplus tax balance as at the date identified in box 34.
37. Unearned Portion of Interest Buy down - Enter any unearned portion of interest buy down, if applicable.
38. Deficiency Sale
 - Sale Closing Date and Price: Enter the sale closing date and gross sale price (Note: this field does not apply to BC where the property is purchased by CMHC to retain covenant).

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FORMS COMPLETION	Request - Claim Payment (NHA)	6
		2001-09-05

- Real Estate Commission: Enter the amount of commission paid by the Approved Lender or Borrower. For any Sale by Borrower, CMHC will reimburse what was paid, if the borrower cannot cover the cost. For any sale by Lender, enter the actual amount paid. However, the amount to be reimbursed is as per CMHC guidelines.
 - Date Offer Accepted: Enter the date the offer was accepted by the Approved Lender.
39. Number of Days Deferred, and not Reimbursed (1 - 4 units only) - Enter the number of days where the mortgage payment was deferred but not reimbursed prior to default. The number of days cannot exceed 4 months, as per CMHC's payment deferral policy.
40. Name of Representative CMHC should contact to obtain keys - For title transfer or assignment of mortgage claims only, enter the name and telephone number of the representative whom CMHC will contact to collect the keys and takeover of the property (1-3 unit properties only).
41. Property Occupancy Status - If the property is vacant, indicate since when, if not then indicate if the property is, tenant occupied or occupied by the borrower or relative of the borrower (1-3 unit properties only).

FIRST LISTING PERIOD

42. Approved Lender's Listing Date - Indicate the first date the Approved Lender listed the property for sale (1-3 unit properties only).
43. Approved Lender's Listing Expiry Date - For title transfer or assignment of mortgage claims, enter the expiry date of the Approved Lender's first listing agreement (1-3 unit properties only).
44. Approved Lender's List Price - Enter the Approved Lender's first list price on the initial 90 day listing period (1-3 unit properties only).
45. Revised List Price - Enter the Approved Lender's last list price on the initial listing period (1-3 unit properties only).
46. Approved Lender's Appraisal Date - Enter the date of the appraisal report obtained by the Approved Lender for the initial listing (1-3 units properties only).
47. Approved Lender's Appraised Value - Indicate the market value for a 90 days sale time frame as indicated on the appraisal report obtained by the Approved Lender for the initial listing period (1-3 unit properties only).
48. Comparative Market Analysis Date - Enter the date on the initial CMA report (1-3 unit properties only).

ACCELERATED CLAIM PAYMENT PLAN

62287

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FORMS COMPLETION	Request - Claim Payment (NHA)	7
		2001-09-05

49. Comparative Market Analysis Value - Enter the market value on the initial CMA report (1-3 unit properties only).
50. Minimum Acceptable Sale Price - Enter the Minimum Acceptable Sale Price determined by the Approved Lender (1-3 unit properties only).

SECOND LISTING PERIOD

The following codes from #51 to 59, only apply to Approved Lenders exercising the optional 2nd listing period (1-3 unit properties only) .

51. Approved Lender's Listing Date - Enter the listing date established for the 2nd listing period (1-3 unit properties only).
52. Approved Lender's Listing Expiry Date - Enter the expiry date of the 2nd listing period (1-3 unit properties only).
53. Approved Lender's List Price - Enter the listing price for the 2nd listing period (1-3 unit properties only).
54. Revised List Price - Enter the revised list price established during the 2nd listing period, if applicable (1-3 unit properties only).
55. Approved Lender's Appraisal Date - Enter the date on appraisal obtained for the 2nd listing, if applicable (1-3 unit properties only).
56. Approved Lender's Appraisal Value - Enter the appraisal value on appraisal obtained for the 2nd listing option, if applicable (1-3 unit properties only).
57. Comparative Market Analysis Date - Enter the CMA date for the 2nd Listing Period (1-3 unit properties only).
58. Comparative Market Analysis Value - Enter the CMA market value for the 2nd Listing Period (1-3 unit properties only).
59. Minimum Acceptable Sale Price - Enter the Minimum Acceptable Sale Price established by the Approved Lender for the 2nd listing option (1-3 unit properties only).
60. Borrower's Charges - Indicate the borrower's charge code and nature of the expenses incurred and as described in ACPP Section 9903.
61. Partial Payments on Mortgage - Indicate the date and amount of any partial payment received from the defaulting borrower after the default date entered in field 34.
62. N.O.I. and Rental Income - Indicate rents and other Net Operating Income received including dates and amounts.
63. Total Borrower's Charges - Enter the total of the borrower's charges listed in section 48.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FORMS COMPLETION	Request - Claim Payment (NHA)	8
		2001-09-05

64. Lender's Name - Print the name of the Approved Lender's authorized signing officer.
65. Fax No. - Enter complete fax number.
66. Telephone Number - Enter complete telephone number.
67. Filing Date - Enter the date that the signed claim form is forwarded to CMHC.



Advice to Approved Lenders Avis aux prêteurs agréés

No./n° 86

DATE : 2001-07-25

FEE FOR PRE-QUALIFICATION

In December of last year, CMHC introduced the technology to support a new mortgage insurance Pre-Qualification product. Many of you have expressed an interest and have been eagerly awaiting the fee for the new product. CMHC is very pleased to advise that the fee for Pre-Qualification is a very affordable \$3.50 per borrower application. Note this fee is payable whether or not mortgage insurance is ultimately purchased (i.e. non-refundable).

With this new product, you no longer need to provide pre-qualification subject to CMHC approval. emili identifies the maximum insured loan amount the borrower is qualified for at various loan-to value levels. This offers borrowers peace of mind since they know the maximum house price they can afford and once the buyer has chosen his or her home, CMHC has only to verify that there has been no adverse change to the borrower's financial status and the chosen property provides adequate security for the insured mortgage balance.

For additional information on the Pre-Qualification product, please refer to the CMHC Homeowner Mortgage Insurance Tool Kit.

DROIT DE PRÉQUALIFICATION

En décembre dernier, la SCHL a mis au point la technologie lui permettant d'offrir un nouveau produit d'assurance hypothécaire, la préqualification des emprunteurs. Bon nombre d'entre vous se sont montrés intéressés et attendaient avec impatience de savoir combien il coûterait. La SCHL est très heureuse de vous informer qu'un droit très abordable de 3,50 \$ par demande sera exigé. Veuillez noter que ce droit s'applique peu importe si le prêt est assuré ou non par la suite (il s'agit d'un droit non remboursable).

Avec ce nouveau produit, vous n'êtes plus tenu de faire approuver la préqualification de l'emprunteur par la SCHL. Le système emili détermine le montant maximum du prêt assuré que l'emprunteur pourra obtenir en fonction de divers rapports prêt-valeur. Ce dernier jouit donc d'une certaine tranquillité d'esprit, car il connaît le prix maximum qu'il peut payer. Lorsque l'acheteur a choisi sa maison, la SCHL n'a plus qu'à vérifier si sa situation financière ne s'est pas détériorée et si la propriété visée constitue une garantie suffisante pour le solde du prêt hypothécaire assuré.

Pour obtenir des renseignements supplémentaires sur la préqualification des emprunteurs, veuillez consulter le cahier d'information intitulé La Boîte à outils complète de l'assurance prêt hypothécaire pour propriétaire-occupant de la SCHL.

Payment of Fee

At the beginning of each year, along with the renewal of your Approved Lender status, you will receive an annual invoice for the fee due based on your prior year usage of the Pre-Qualification product. CMHC is pleased to advise that as part of being an Approved lender you will be annually credited the first 100 Pre-Qualification applications on your invoice.

Please note that we recognize that not all financial institutions are structured in the same fashion across the country and this invoicing procedure may require some customization.

If you have any questions regarding the new Pre-qualification product and/or would like to arrange for your organization to be activated, please contact Sharon Matthews, Director Products and Technology Development at (613) 748-2251 or your CMHC Regional Manager of Business Development. We would be happy to discuss your training and support needs and to arrange an appropriate activation date.

Païement des droits de préqualification

Au début de chaque année, avec le renouvellement de votre statut de prêteur agréé, vous recevrez une facture couvrant les droits de préqualification se rapportant aux demandes présentées au cours de l'année écoulée. La SCHL est heureuse de vous informer, qu'à titre de prêteur agréé, les droits s'appliquant aux 100 premières demandes de préqualification présentées chaque année ne vous seront pas facturés.

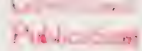
Nous sommes conscients que toutes les institutions financières ne sont pas structurées de la même façon, partout au Canada, et que nous devons peut-être personnaliser d'une certaine manière ce mode de facturation.

Si vous avez des questions concernant le nouveau produit de préqualification et/ou désirez prendre des arrangements pour que votre organisation soit activée, veuillez communiquer avec Sharon Matthews, directrice de la Division du développement des produits et des technologies [tél. : (613) 748-2251] ou avec l'un de nos directeurs régionaux, Expansion des affaires. Nous serons heureux de discuter de votre formation et du soutien dont vous avez besoin et pour déterminer une date d'activation appropriée.

Vice-présidente, Assurance et titrisation



Karen Kinsley
Vice-president, Insurance and Securitization



Advice to Approved Lenders Avis aux prêteurs agréés

No./n° 84

DATE : 2001-05-23

ENVIRONMENTAL CONCERNS IN PORT COLBORNE, ONTARIO

Concerns have been raised by Approved Lenders and the media about possible soil contamination in Port Colborne, Ontario and the impact on the availability of CMHC homeowner mortgage loan insurance.

CMHC is conducting business as usual in Port Colborne and the Corporation's environmental policy continues to apply.

CMHC has not imposed any special requirements for mortgage insurance applications related to properties located in or around the City of Port Colborne. An environmental site assessment is not required for every property in Port Colborne that is the subject of an application for CMHC mortgage loan insurance. If a lender is aware of site-specific environmental concerns associated with a particular property, an environmental site assessment must be carried out as required by our normal policy for managing environmental risks contained in the CMHC Mortgage Loan Insurance Handbook (Insurance Initiation - II 0607-01).

CMHC expects Approved Lenders to renew insured mortgages if there has been no default in the payments during the mortgage term, or in the observance or performance of any covenants or

PRÉOCCUPATIONS ENVIRONNEMENTALES À PORT COLBORNE (ONTARIO)

Les prêteurs agréés et les médias s'inquiètent d'une éventuelle pollution des sols à Port Colborne, en Ontario, et des répercussions que celle-ci pourrait avoir sur l'assurance prêt hypothécaire pour propriétaires-occupants offerte par la SCHL.

La SCHL n'a pas modifié sa façon de faire des affaires à Port Colborne et les mêmes lignes de conduite environnementales demeurent en vigueur.

La SCHL n'impose pas d'exigences particulières pour les demandes d'assurance prêt hypothécaire visant des propriétés situées dans la ville de Port Colborne ou les environs. Il n'est pas nécessaire de réaliser une évaluation environnementale des sites pour toutes les propriétés de Port Colborne qui font l'objet d'une demande d'assurance prêt hypothécaire de la SCHL. Si un prêteur est au courant qu'une propriété donnée suscite des préoccupations environnementales, il faut alors réaliser une évaluation environnementale du site, conformément à notre ligne de conduite habituelle sur la gestion des risques environnementaux (voir le Manuel L'assurance prêt hypothécaire de la SCHL : Production d'assurance, à la section II 0607-01).

La SCHL s'attend à ce que les prêteurs agréés renouvellent les prêts hypothécaires assurés lorsque l'emprunteur a, durant la durée du prêt, réalisé les paiements et respecté ses engagements

obligations of the borrower under the mortgage. CMHC does not require the lender to requalify the borrower at each subsequent mortgage term renewal.

CMHC recently introduced a Refinance product. There are no restrictions on the availability of this product in Port Colborne. Refinance applications are subject to CMHC's normal borrower eligibility requirements and a maximum 90% loan to value.

CMHC will continue to monitor the situation and advise if our position changes. If you have any questions on this Advice, please contact Debra Darke, National Manager, Underwriting at (613) 748-2134.

Please retain in the front of your Insurance Initiation Handbook.

et obligations conformément au contrat de prêt hypothécaire. La SCHL n'exige pas des prêteurs que ceux-ci évaluent de nouveau l'admissibilité de l'emprunteur à chaque renouvellement subséquent.

La SCHL a récemment lancé un produit de refinancement. Aucune restriction n'existe pour ce produit à Port Colborne. Les demandes de refinancement sont soumises aux exigences habituelles de la SCHL en matière d'admissibilité de l'emprunteur et le maximum du rapport prêt-valeur est établi à 90%.

La SCHL continuera de suivre la situation et vous informera de tout changement à sa position, le cas échéant. Pour toute question concernant le présent avis, veuillez communiquer avec Debra Darke, directrice nationale, Souscription, au (613) 748-2134.

Veuillez conserver la présente au début de votre manuel de Production d'assurance.

Vice-présidente, Assurance et titrisation

A handwritten signature in black ink, appearing to read 'K. Kinsley', with a stylized flourish at the end.

Karen Kinsley
Vice-president, Insurance and Securitization



Advice to Approved Lenders Avis aux prêteurs agréés

No./n° 83

DATE : 2001-05-01

PURCHASE PLUS IMPROVEMENTS OR REFINANCE PLUS IMPROVEMENTS

PURPOSE:

This Advice to Approved Lenders provides a policy change regarding CMHC premium surcharge requirements for Homeowner applications for Purchase Plus Improvements or Refinance Plus Improvements processed via **emili**.

BACKGROUND:

For both Full and Basic service (paper based processing), all applications for CMHC Insured financing which require more than one insured advance are processed as progress advances and a premium surcharge of 0.5% applies. When CMHC implemented its new Progress Advance feature and policies for **emili** processing in December 2000, CMHC did not change this policy.

POLICY CHANGE:

Based on lender feedback, CMHC is pleased to announce that it has further enhanced the **emili** Progress Advance feature. For Purchase Plus Improvements or Refinance Plus Improvements, the premium surcharge is eliminated where the following criteria are met. You will note that the elimination of the premium surcharge is applicable where improvements are typically of a cosmetic nature and a relatively small dollar amount.

ACHAT ET AMÉLIORATIONS OU REFINANCEMENT ET AMÉLIORATIONS

OBJET :

Le présent Avis aux prêteurs agréés énonce une modification aux exigences de la SCHL relatives à la surprime ainsi qu'à la politique concernant le traitement **emili** des demandes de prêts pour propriétaires-occupants de type Achats et améliorations ou Refinancement et améliorations.

CONTEXTE :

À la fois pour le service complet et le service de base (traitement sur support papier), lorsqu'une demande d'assurance est faite à la SCHL relativement à un financement en plusieurs versements, chaque versement est traité comme une avance échelonnée. Par conséquent, une surprime de 0,5 % s'applique. La SCHL n'a pas modifié cette politique à la suite de l'entrée en vigueur, en décembre 2000, de son nouveau produit relatif aux avances échelonnées et des lignes de conduite s'appliquant au traitement **emili**.

MODIFICATION DE LA LIGNE DE CONDUITE :

La SCHL est heureuse d'annoncer qu'elle a tenu compte des commentaires qu'elle a reçus des prêteurs depuis le lancement des avances échelonnées **emili** pour améliorer encore plus ce produit. En effet, la SCHL élimine la surprime s'appliquant aux options Achat et améliorations ou Refinancement et améliorations dans certaines conditions, qui sont énoncées ci-après. Veuillez noter que la surprime est éliminée dans le cas des améliorations superficielles qui impliquent un montant relativement peu élevé.

POLICY CHANGE (cont'd)

To be eligible for this policy change, the application is to meet the following criteria:

- Homeowner-occupied (1-4 units).
- Loan purposes of Purchase Plus Improvements or Refinance Plus Improvements.
- **emili** processing only.
- Improvement costs **are not to exceed the lesser of 10% of the "As Improved" market value or \$10,000.**
- A maximum of two insured advances is permitted. The first is insured when funds are advanced to close the purchase or initial refinance transaction based upon the "As Is" value. The second is insured when funds are advanced at the completion of improvements.
- Insured Advancing is to be in accordance with the validation criteria for **emili** processed Progress Advances. (Please refer to the CMHC Homeowner Mortgage Insurance Tool Kit for more information).
- The application fee, premium (no surcharge) and taxes, where applicable, for the total approved loan amount are due at the time of the first advance.

emili LOAN PROCESSING:

Where the application meets the above criteria:

- i) the Installment Completion Code in **emili** to be selected is "Single advance" Note: As the application is processed as a single advance, there is no need to transmit via **emili** the Loan Advance amount and an Advance number for each insured advance.
- ii) the loan amount to be entered is the full loan amount i.e. including the amount for improvements.

MODIFICATION DE LA LIGNE DE CONDUITE (suite)

Pour être admissible à la ligne de conduite modifiée, la demande doit respecter les critères suivants:

- Logement occupé par le propriétaire (immeuble de un à quatre logements).
- Objet du prêt de type Achat et améliorations ou Refinancement et améliorations.
- Traitement **emili** seulement.
- Le coût des améliorations **ne doit pas dépasser le moins élevé des montants suivants** : 10 % de la valeur marchande après l'achèvement des rénovations ou 10 000 \$.
- Un maximum de deux avances peuvent être assurées. La première est assurée lorsque les fonds sont avancés à la conclusion de l'achat ou au refinancement initial fondé sur la valeur initiale. La seconde est assurée lorsque les fonds sont avancés à l'achèvement des travaux d'amélioration.
- L'avance assurée doit être conforme aux critères de validation s'appliquant aux avances échelonnées traitées sur **emili**. (Pour obtenir de plus amples détails, veuillez vous reporter à «La boîte à outils complète de l'assurance prêt hypothécaire pour propriétaire-occupant de la SCHL».)
- Le droit de demande ainsi que la prime (sans surprime) et les taxes, le cas échéant, pour le plein montant du prêt approuvé sont exigibles à la date à laquelle la première tranche est versée.

TRAITEMENT DES PRÊTS **emili** :

Si la demande satisfait aux critères ci-dessus :

- i) le code de versement sélectionné est « un seul versement ». Notez bien que, lorsque la demande est traitée comme un seul versement, il n'est pas nécessaire de transmettre par **emili** le montant de l'avance et le numéro de l'avance pour chaque versement assuré.
- ii) le montant du prêt correspond au plein montant, c'est-à-dire qu'il faut inclure le montant des améliorations.

- iii) The closing date for the application in **emili** is the closing date for the purchase or the date of the first advance to refinance the existing borrowing i.e. it is not the date when the improvements are to be completed.
- iv) All applications are to be submitted with a Product Tracker Identifier. The Product Tracker Identifier is 00002 (numerical field). This feature is already available for users of **emili** PC, Web **emili**, FAX **emili** and some mainframe lenders. It is recognized that some mainframe lenders have not yet upgraded their system for the Product Tracker Identifier. These mainframe lenders may proceed to implement the above policy, on the understanding that the Product Tracker Identifier is to be provided to CMHC for future applications as soon as system changes permit.

IMPLEMENTATION:

The policy change is effective immediately. Existing applications are eligible for this policy change provided that:

- i) they have been received by CMHC on or after December 11, 2000, and
- ii) they meet the above qualifying criteria, and
- iii) the second advance has not yet been made.

In cases where there have been no advances, you should retransmit the application with the Installment Completion Code selected as "Single advance". In cases where the first advance has already been made, you should consult your local CMHC Business Centre to arrange the premium adjustment.

- iii) dans la demande **emili**, la date de transfert de la propriété correspond à la date de clôture de l'achat ou à la date de versement de la première tranche visant à refinancer le prêt existant (et non à la date prévue d'achèvement des travaux d'amélioration).
- iv) toutes les demandes doivent être soumises au moyen du code de produit personnalisé, qui est 00002 (champ numérique). Cette option est déjà offerte aux utilisateurs d'**emili**PC, d'**emili**Web et de TÉLÉCOPIE**emili**, ainsi qu'à certains prêteurs traitant avec la SCHL d'ordinateur central à ordinateur central. La SCHL est consciente que certains prêteurs traitant d'ordinateur central à ordinateur central n'ont pas encore effectué la mise à niveau qui leur permettra de fournir le code de produit personnalisé. Ces prêteurs peuvent appliquer la politique ci-dessus aux demandes futures, mais à la condition qu'ils acceptent de fournir le code de produit personnalisé à la SCHL dès que leur ordinateur central aura été mis à niveau.

ENTRÉE EN VIGUEUR :

La ligne de conduite révisée entre en vigueur immédiatement.

Les demandes en cours de traitement sont admissibles à la ligne de conduite révisée dans la mesure où :

- i) la SCHL les a reçues le 11 décembre 2000 ou après cette date
- ii) et où elles respectent les conditions énoncées ci-dessus
- iii) et que la seconde avance n'a pas encore été versée.

Si aucune avance n'a été versée, vous devriez transmettre à nouveau la demande en sélectionnant l'option « un seul versement » du code de versement. Par contre, si une première avance a déjà été versée, vous devriez vous adresser au Centre d'affaires de la SCHL le plus près, afin que la prime soit rajustée.

If you have any questions, please contact Debra Darke, National Manager, Underwriting at (613) 748-2134.

Si vous avez des questions, n'hésitez pas à communiquer avec Mme Debra Darke, directrice nationale, Souscription, au (613) 748-2134.

(Note: The amended policy does NOT apply to traditional paper applications)

(Nota : La ligne de conduite révisée NE S'APPLIQUE PAS aux demandes sur support papier.)

Vice-présidente, Assurance et titrisation

A handwritten signature in dark ink, appearing to be 'KKP' with a stylized flourish at the end.

Karen Kinsley
Vice-president, Insurance and Securitization



Advice to Approved Lenders Avis aux prêteurs agréés

No./n° 82

DATE : 2000-12-15

CMHC INSURANCE SERVICING POLICY ENHANCEMENTS: PROPERTIES CONTAINING 1-3 UNITS

This communiqué introduces policy changes to CMHC's Insurance Servicing guidelines for default management practices and property disposal processes. In response to your needs, CMHC is very pleased to offer increased flexibility in the management of properties containing 1-3 units.

Over the past year CMHC has been working hard to redesign our Servicing processes to build on the strengths we have developed with the Approved Lenders in the mortgage insurance industry. We recognize the wealth of knowledge your staff possess in the management of defaults and properties. We would like to further expand your ability to exercise this expertise by making changes that will provide you with more flexibility to carry out daily business activities without contacting CMHC.

Included in this communiqué are two new policies that will allow Approved Lenders to simplify their administration processes considerably (see attached). The revised Servicing guidelines and increased Approved Lender authority should provide improved efficiency in your operations.

AMÉLIORATION DES LIGNES DE CONDUITE VISANT L'ADMINISTRATION DE L'ASSURANCE SCHL : PROPRIÉTÉS COMPTANT DE UN À TROIS LOGEMENTS

Nous désirons vous faire part de modifications apportées aux directives de l'Administration de l'assurance SCHL concernant la gestion des cas de défaut et la cession des propriétés immobilières. Afin de répondre à vos besoins, la SCHL est très heureuse de vous offrir plus de flexibilité dans le gestion des propriétés comptant de un à trois logements.

Au cours de l'année écoulée, la SCHL a déployé beaucoup d'efforts pour modifier ses méthodes d'administration afin de tirer parti des succès qu'elle a enregistrés avec les prêteurs agréés dans le secteur de l'assurance hypothécaire. Nous reconnaissons la richesse des connaissances que possède votre personnel dans le domaine de la gestion des cas de défaut et des propriétés immobilières. Nous aimerions accroître davantage vos capacités d'exercer vos compétences en apportant des modifications qui vous donneront plus de flexibilité pour exercer ces activités quotidiennes sans devoir contacter la SCHL.

Le présent communiqué comprend deux nouvelles lignes de conduite qui permettront aux prêteurs agréés de simplifier considérablement leurs méthodes administratives (voir ci-joint). Les directives révisées concernant l'administration de l'assurance et les pouvoirs accrus des prêteurs agréés devraient rendre vos activités plus efficaces.

CMHC is finalizing the details around a number of changes to our Servicing guidelines. Early in the new year you will be receiving another communiqué outlining the additional Servicing policy changes related to the Claims Payment and the Enhanced Deficiency Sales Processes which we are planning to implement at the end of the first quarter in 2001.

We would like to thank you for your business to date. We look forward to servicing you even better in the future when all of the proposed changes are ready for implementation in the New Year.

INQUIRIES: All inquiries regarding this communiqué can be referred to: Denys Chamberland, National Manager, Insurance Servicing, CMHC National Office, 700 Montreal Road, Ottawa, Ontario, K1A 0P7.

La SCHL est à mettre au point les derniers détails entourant certains changements apportés à ses directives d'administration. Vous recevrez, au début de la nouvelle année, un autre communiqué exposant les modifications additionnelles apportées aux lignes de conduite touchant le règlement des demandes et l'amélioration du processus de règlement du déficit résiduaire, que nous comptons mettre en oeuvre à la fin du premier trimestre de 2001.

Nous aimerions vous remercier de faire affaire avec nous. Nous sommes impatients de vous satisfaire davantage dans l'avenir, lorsque toutes les modifications proposées seront mises en oeuvre durant la nouvelle année.

DEMANDES DE RENSEIGNEMENTS : Toutes les demandes de renseignements concernant le présent communiqué peuvent être adressées à Denys Chamberland, directeur national, Administration de l'assurance, Bureau national de la SCHL, 700, chemin de Montréal, Ottawa (Ontario) K1A 0P7.

Vice-présidente, Assurance et titrisation



Karen Kinsley
Vice-president, Insurance and Securitization

**CMHC INSURANCE SERVICING POLICY
ENHANCEMENTS:
PROPERTIES CONTAINING 1-3 UNITS**

Effective January 1, 2001

1. CAPITALIZATION

Policy: To resolve default situations, NHA Approved Lenders have the authority to approve capitalization requests up to \$20,000 without having to approach CMHC for approval. This increased flexibility will allow Approved Lenders the ability to operate independently and it also takes into account the need to capitalize higher costs. The increase in authority from \$10,000 to \$20,000 is applied under the same rules as currently documented in our existing Insurance Servicing guidelines and should handle all your capitalization requests. Lenders should continue to document their files with the supporting rationale for the capitalization approval.

2. REPAIRS

Policy: The Approved Lenders authority for repairs is increased from the existing level of \$2500 per occurrence to \$5000 per claim. The definition of “repairs” has also been clarified to alleviate confusion about what is considered maintenance and what is considered repairs. This will provide Approved Lenders with increased decision making flexibility. The current definition of “repairs” has been expanded and includes all of the following:

- renovations to enhance value and marketing;
- cosmetic improvements (i.e. cleaning, painting, flooring replacement and minor repairs);
- health and safety repair items;
- heating system;
- removal of refuse and belongings;

**AMÉLIORATION DES LIGNES DE
CONDUITE VISANT L'ADMINISTRATION DE
L'ASSURANCE SCHL :
PROPRIÉTÉS COMPTANT DE UN À TROIS
LOGEMENTS**

À compter du 1^{er} janvier 2001

1. CAPITALISATION

Ligne de conduite : Les prêteurs agréés LNH ont le pouvoir d'approuver les demandes de capitalisation pouvant atteindre 20 000 \$ sans devoir obtenir l'autorisation de la SCHL. L'augmentation du montant de 10 000 \$ à 20 000 \$ est assujettie aux mêmes règles que celles qui figurent actuellement dans nos directives existantes concernant l'administration de l'assurance, et devrait couvrir toutes vos demandes de capitalisation. Les prêteurs doivent continuer d'inscrire dans leurs dossiers la justification appuyant l'approbation de la demande.

2. RÉPARATIONS

Ligne de conduite : Le pouvoir des prêteurs agréés concernant l'autorisation des réparations passe du niveau actuel de 2 500 \$ à 5000 \$ par demande. On a aussi précisé la définition du terme « réparations » afin de dissiper la confusion au sujet de ce qui est considéré comme de l'entretien et ce qui est considéré comme des réparations. Les prêteurs agréés auront désormais plus de flexibilité dans leur prise de décisions. La définition actuelle de « réparations » a été élargie et comprend tous les points suivants :

- rénovations visant à augmenter la valeur et à faciliter le marketing;
- améliorations d'embellissement (c.-à-d. nettoyage, peinture, remplacement du revêtement de sol et petites réparations);
- travaux de réparation améliorant la salubrité et la sécurité;
- système de chauffage;

- non insurable peril expenses related to health and safety of an occupied building; or
- damage caused by catastrophic events.

Where it is determined that significant improvements/repairs are required, the following criteria shall be adhered to: As they are currently required to do, Approved Lenders must demonstrate by documenting their files with an appraisal, and/or a Comparative Market Analysis (CMA), and repair estimates, that there is a cost benefit to carrying out the work. This can be demonstrated by either showing a value after repairs which exceeds the “as is” value plus the cost of repair, or by the documented prospect of achieving a quicker sale with the repairs completed.

The maximum amount an Approved Lender is authorized to approve for repairs is increased up to a total of \$5,000 per claim. Where the increased limit is exceeded, the Approved Lender is still required to submit two (2) estimates to the Claims Payment Centre for approval prior to proceeding with the work.

3. PROPERTY PROTECTION

Policy: Until CMHC forwards new guidelines in 2001, effective January 1, 2001, charges submitted under the category of “**Property Protection**” (current guideline IS 0307-01) should exclude any of the expense items now included in Repairs. The category of “**Property Protection**” is reserved for charges pertaining to items such as securing of property, grass cutting and snow removal. Effective January 1, 2001 the category of “Property Maintenance” is no longer applicable.

Date of Implementation: All the above policy changes will be operational January 1st, 2001.

- enlèvement des ordures et des effets personnels;
- frais pour des risques non assurables liés à la salubrité et à la sécurité d'un bâtiment occupé;
- dommages causés par des catastrophes.

Lorsqu'on détermine que d'importantes améliorations ou réparations sont nécessaires, on doit respecter les critères suivants : Comme ils sont actuellement tenus de le faire, les prêteurs agréés doivent démontrer, en étayant leurs dossiers d'une évaluation, et/ou une analyse comparative du marché et d'une estimation des réparations, qu'il sera rentable d'effectuer les travaux de réparation. On pourra prouver cette affirmation soit en indiquant la valeur de la propriété une fois les améliorations apportées, valeur qui sera supérieure à la valeur de la propriété «**telle quelle**» plus le coût des réparations, ou en démontrant par écrit la probabilité de vendre la propriété plus rapidement si les réparations sont effectuées.

Le montant maximum des réparations qu'un prêteur agréé peut approuver peut maintenant atteindre 5 000 \$ par demande. Lorsque le montant demandé dépasse cette limite accrue, le prêteur agréé doit encore soumettre au Centre de règlement des demandes deux (2) estimations qui doivent être approuvées avant que l'on puisse entreprendre les travaux.

3. PROTECTION DE LA PROPRIÉTÉ

Ligne de conduite : Jusqu'à ce que la SCHL envoie de nouvelles directives en 2001, à compter du 1^{er} janvier 2001, les frais soumis dans la catégorie « **Protection de la propriété** » (directive actuelle AA 0307-01) doivent exclure toute dépense figurant actuellement dans la catégorie « Réparations ». La catégorie « **Protection de la propriété** » n'englobe que les frais reliés aux éléments tels que la protection de la propriété, la tonte du gazon et le déneigement. À compter du 1^{er} janvier 2001, la catégorie « Entretien de la propriété » n'existera plus.

Date d'entrée en vigueur : Toutes les modifications susmentionnées entreront en vigueur le 1^{er} janvier 2001.



Advice to Approved Lenders Avis aux prêteurs agréés

No./N° 81

Date: 2000-07-07

EVALUATION AND PURSUIT OF PERSONAL COVENANTS

PURPOSE - To provide clarification of Approved Lenders' responsibilities when assessing whether to pursue personal covenants to ensure that judgments are obtained and assigned to CMHC only in warranted situations.

BACKGROUND - Some Approved Lenders have requested that CMHC provide clarifications on the evaluation process for pursuing judgment on personal covenants. In the absence of a defined process, some Approved Lenders opt to pursue as many covenantors and guarantors as possible. This leads to situations where CMHC is assigned judgments that cannot be realized on because they have little or no value or the judgment is against a previous owner where a bona fide sale has occurred.

CLARIFICATION - The judgment evaluation process differs somewhat for Homeowner loans and Rental loans.

For both Homeowner and Rental loans, the Approved Lender is expected to evaluate the financial standing and net worth of the borrower(s)/guarantor(s). Once this evaluation has taken place, the Approved Lender will decide if there is any value in pursuing on the covenant

ÉVALUATION ET POURSUITES POUR RUPTURE D'ENGAGEMENT PERSONNEL

BUT - Clarifier les responsabilités des prêteurs agréés lorsqu'ils évaluent s'ils doivent ou non engager des poursuites pour rupture d'engagement personnel pour s'assurer d'obtenir les jugements et de les céder à la SCHL seulement si la situation le justifie.

ANTÉCÉDENTS - Certains prêteurs agréés ont demandé à la SCHL de leur fournir des éclaircissements sur le processus d'évaluation en vue d'engager des poursuites judiciaires pour rupture d'engagement personnel. En l'absence d'un processus établi, certains prêteurs agréés choisissent de poursuivre le plus grand nombre possible d'emprunteurs et de garants en défaut. Cela crée des situations où la SCHL se voit céder des jugements qu'elle ne peut exécuter parce que les montants en cause ne peuvent être recouvrés, ou que le jugement est rendu contre le propriétaire précédent et que la vente a été faite de bonne foi.

CLARIFICATION - Le processus d'évaluation des jugements diffère quelque peu pour les prêts pour propriétaires-occupants et les prêts pour logements locatifs.

Pour les deux types de prêts, on exige du prêteur agréé qu'il évalue la situation financière et la valeur nette des emprunteurs/garants. Cette évaluation terminée, il décidera si cela vaut la peine d'entamer des poursuites pour rupture d'engagement et d'obtenir un jugement. L'évaluation devrait être

and obtaining a judgment. The evaluation should then be maintained on file to document the reasoning behind the decision to pursue or not to pursue the covenant.

JUDGMENT EVALUATION - In evaluating the taking or registration of a judgment, there are 5 distinct steps that should be followed to assess if it is worthwhile to pursue the covenant for a loan where a default has occurred and the Approved Lender will need to realize on the security.

Step 1 - The Approved Lender is expected to obtain a financial recovery/collection aid report on the borrower(s)/guarantor(s) as applicable. The cost of this report is an eligible borrower's charge under the insurance claims process. The report should be provided to CMHC along with all judgment documentation.

Step 2 - The following information needs to be extracted, and the critical items confirmed if necessary, from the Financial Recovery/Collection Aid Report in much the same way Credit Bureau information is verified at loan origination:

- Source of income;
- Debts to other creditors;
- Number of judgments and amounts;
- Amount of debt(s) placed for collection by other creditors;
- Addresses/Names of other Real Estate holdings;
- Other assets which may be realized on;
- Assignment(s) in bankruptcy or proposal(s) under the Bankruptcy Act (past and current);
- Special remarks made by Reporting Agency.

Step 3 - Using the above information, the Approved Lender must analyze the borrower's financial capacity to pay and net worth by performing a cost/benefit assessment to decide if it is worthwhile to pursue the covenant. This is a comparison of the cost of pursuit versus the

conservée au dossier afin de documenter la justification appuyant la décision d'engager ou non des poursuites judiciaires.

ÉVALUATION DU JUGEMENT - Lorsqu'on évalue le dépôt d'un jugement, il faut suivre 5 étapes distinctes afin de déterminer le bien-fondé d'engager des poursuites pour rupture d'engagement de remboursement hypothécaire lorsque le prêteur agréé a enregistré un cas de défaut et qu'il devra réaliser la garantie.

Étape 1 - Le prêteur agréé devra obtenir, selon le cas, un rapport de solvabilité/recouvrement des emprunteurs/garants. Le coût de ce rapport fait partie des frais à la charge des emprunteurs dans le cadre du processus de règlement d'assurance et le rapport doit être fourni à la SCHL avec toute la documentation relative au jugement.

Étape 2 - Il faudra extraire du rapport de solvabilité/recouvrement les renseignements suivants et confirmer au besoin les éléments essentiels, de la même façon que l'on vérifie l'information du bureau de crédit à l'octroi d'un prêt :

- Source du revenu
- Dettes d'autres créanciers
- Nombre de jugements et montants
- Montant de la ou des dettes que d'autres créanciers ont décidé de recouvrer
- Adresses/noms d'autres biens immobiliers détenus
- Autres éléments d'actif qu'on pourra réaliser
- Saisies par suite de faillite ou propositions aux termes de la Loi sur la faillite et l'insolvabilité (actuelles ou passées)
- Remarques spéciales de l'organisme à l'origine du rapport

Étape 3 - À l'aide des renseignements ci-dessus, le prêteur agréé doit analyser la capacité financière et la valeur nette de l'emprunteur en effectuant une évaluation des coûts-avantages pour décider s'il convient d'engager des poursuites pour rupture d'engagement. Il s'agit de comparer le coût d'engager

dollar value recoverable under the judgment in the short term. See also ACP 0203-01.

Step 4 - There may be instances where the Approved Lender may wish to obtain a legal opinion on the chances of the success of pursuit, or the impact of various contemplated enforcement actions on the ability to pursue the judgment. The Approved Lender's lawyer may offer advice on whether it is worthwhile to pursue a given defaulted borrower(s)/guarantor(s). The Approved Lender should be guided by their lawyer's advice.

Step 5 - To make a decision, the Approved Lender must consider all the available information.

EXCEPTIONS FOR PURSUIT OF COVENANT

For **Homeowner loans**, judgment action shall not be pursued against the previous owner in the following instances:

- where a bona fide sale or sale by mortgage assumption has occurred and the new mortgagor has been qualified;
- where a bona fide sale by mortgage assumption has occurred and the new mortgagor has not been qualified, as is the practice in some provinces, and 12 or more monthly payments have been made on the property.

For **Rental loans**, if the cost of pursuit is prohibitive or would become prohibitive, the Approved Lender is to document the issues and recommend to CMHC to waive or discontinue pursuit of judgment (Refer to IS 0402-04).

des poursuites et le montant d'argent pouvant être recouvré à court terme par suite d'un jugement. Voir aussi PRAD 0203-01.

Étape 4 - Dans certains cas, le prêteur agréé désirera obtenir une opinion juridique sur les chances d'aboutissement favorable des poursuites ou l'effet de diverses mesures liées à la capacité de donner suite au jugement. Le prêteur agréé peut obtenir auprès de son avocat/notaire des conseils afin de déterminer s'il convient de poursuivre un ou des emprunteurs/garants en défaut. Le prêteur agréé devrait se fier aux conseils de son avocat/notaire.

Étape 5 - Pour prendre une décision, le prêteur agréé doit tenir compte de toute l'information dont il dispose.

EXCEPTIONS FAITES AUX POURSUITES POUR RUPTURE D'ENGAGEMENT

En ce qui concerne les **prêts pour propriétaires-occupants**, on ne doit pas engager de poursuites judiciaires pour rupture d'engagement contre le propriétaire précédent dans les cas suivants :

- lorsqu'une vente de bonne foi ou une vente avec prise en charge du prêt hypothécaire a eu lieu et que le nouveau débiteur hypothécaire satisfait aux conditions
- lorsqu'une vente de bonne foi avec prise en charge du prêt hypothécaire a eu lieu et que le nouveau débiteur hypothécaire ne satisfait pas aux conditions, comme cela se produit dans certaines provinces, et que 12 mensualités ou plus ont été versées.

En ce qui a trait aux **prêts pour logements locatifs**, le prêteur agréé doit documenter les cas de défaut et recommander à la SCHL de renoncer aux poursuites judiciaires ou de les arrêter, si le coût des poursuites est excessif ou pourrait le devenir (voir AA 0402-04).

FILE DOCUMENTATION FOR EXCEPTIONS

The file should be documented with the following:

- Any evidence of qualification or payment history of new borrower/owner;
- Significant facts (Financial Recovery/Collection Aid Report, Cost/Benefit Analysis, etc.);
- Any legal basis for having made the decision to not pursue personal covenant;
- Reasons for and against the intended decision;
- Request for approval from CMHC (Rental loans only).

IMPLEMENTATION - The clarifications to the policy related to the evaluation and pursuit of personal covenants are effective immediately.

ACTION - Please amend your Insurance Servicing (IS) Manual by replacing the following pages with the attached:

IS 0402-02 page 1
IS 0402-04 page 1
IS 0402-04 page 1

DOSSIER DE DOCUMENTATION POUR LES EXCPTIONS

Le dossier doit contenir la documentation suivante :

- Toute preuve d'admissibilité ou tout état récapitulatif des paiements du nouvel emprunteur ou du nouveau propriétaire
- Faits significatifs (rapport de solvabilité/ recouvrement, analyse coûts-avantages, etc.)
- Tout conseil juridique à l'appui de la décision prise de ne pas engager de poursuites en rupture d'engagement personnel
- Les raisons à l'appui/l'encontre de la décision projetée
- La demande d'approbation à la SCHL (prêts pour logements locatifs seulement)

ENTRÉE EN VIGUEUR - Les clarifications apportées à la ligne de conduite concernant l'évaluation et les poursuites pour rupture d'engagement personnel entrent en vigueur immédiatement.

CONDUITE - Veuillez modifier votre Manuel de l'administration de l'assurance (AA) en remplaçant les pages suivantes par les pages ci-jointes :

AA 0402-02 page 1
AA 0402-04 page 1
AA 0402-04 page 2

ENQUIRIES - All enquiries for Rental loans should be directed to the Centre Manager in the regional Default Management and Real Estate Centre.

All other enquiries regarding this advice are to be referred to the Director,
Insurance Servicing, CMHC National Office, 700
Montreal Road, Ottawa, K1A 0P7

DEMANDES DE RENSEIGNEMENTS - Toute demande de renseignements concernant les prêts pour logements locatifs doit être adressée au directeur du Centre des propriétés immobilières et de la gestion des cas de défaut de votre région.

Toute autre demande de renseignements concernant le présent avis doit être adressée au Directeur de l'Administration de l'assurance, Bureau national de la SCHL, 700, chemin de Montréal, Ottawa, K1A 0P7.

La Vice-présidente, Assurance,

A handwritten signature in black ink, appearing to read 'K. Kinsley', with a stylized flourish extending to the left.

Karen Kinsley
Vice-President
Insurance



Advice to Approved Lenders Avis aux prêteurs agréés

No./N° 80

Date: 2000-07-07

RELEASE AND REPLACEMENT OF COVENANTS

PURPOSE - To provide clarification of Approved Lenders' responsibilities when releasing and replacing covenants.

BACKGROUND - CMHC has been asked to clarify its policies and Approved Lender expectations with respect to:

- the release and replacement of the borrower's (mortgagor) personal covenant in cases of a sale where the new mortgagor is qualified by the Approved Lender, and
- the release and replacement of the borrower's (mortgagor) personal covenant in cases of a sale where the new mortgagor is not qualified by the Approved Lender, as is the practice in certain provinces.

CLARIFICATION - It is not CMHC's intent to prescribe mandatory actions for Approved Lenders, but rather to provide clarification to guide their decision-making. CMHC considers the following to be consistent with prudent lending practices.

LIBÉRATION ET SUBSTITUTION D'ENGAGEMENT

BUT - Clarifier les responsabilités des prêteurs agréés au moment de la libération ou de la substitution d'engagement.

ANTÉCÉDENTS - La SCHL a reçu une demande de clarification relativement à ses lignes de conduite et à ses attentes relatives au prêteur agréé en ce qui a trait à :

- la libération et la substitution de l'engagement personnel de l'emprunteur (débitur hypothécaire) lors d'une vente lorsque le prêteur agréé détermine l'admissibilité du nouveau débiteur hypothécaire
- la libération et la substitution de l'engagement personnel de l'emprunteur (débitur hypothécaire) lors d'une vente lorsque le prêteur agréé ne détermine pas l'admissibilité du nouveau débiteur hypothécaire, comme c'est le cas dans certaines provinces

CLARIFICATION - La SCHL n'a pas l'intention de prescrire les gestes que doivent poser les prêteurs, agréés mais bien de fournir certaines clarifications en vue d'orienter leur prise de décision. La SCHL estime que les lignes de conduite ci-dessous constituent des pratiques d'octroi de prêt prudentes.

Where an Approved Lender qualifies a new mortgagor to assume an existing mortgage and:

- has verified that the applicant has the credit worthiness and financial capacity to carry the mortgage obligation and the account is not in arrears, or
- the request is received after the sale has already occurred and the current purchaser has maintained a solid payment record for a satisfactory period,

CMHC would consider the covenant of the new mortgagor as an acceptable replacement if the Approved Lender determines that the new mortgagor would qualify for CMHC Insurance. CMHC would release the personal covenant of any previous mortgagor(s).

Where a new mortgagor has not been qualified by the Approved Lender, as is the practice in some provinces, CMHC would release the covenant of any previous mortgagor(s) where the following criteria were met:

- the sale was a bona fide arms length sale; and
- the equivalent of 12 or more monthly payments have been made by the new mortgagor.

The rationale for the decision to replace or release the personal covenant must be documented by the Approved Lender on the mortgage file. Contact CMHC for guidance in cases of uncertainty.

For Rental product, the process differs. Due to different covenant replacement/release criteria, the Approved Lender is required to refer this process to CMHC.

Lorsqu'un prêteur agréé détermine qu'un nouveau débiteur hypothécaire est admissible à assumer un prêt hypothécaire existant et :

- qu'il a vérifié que le demandeur est solvable et qu'il possède la capacité financière pour assumer les obligations hypothécaires et que le compte n'est pas en souffrance, ou
- que la demande est reçue après la réalisation de la vente et que l'acheteur actuel a maintenu de bonnes habitudes de paiement durant une période satisfaisante,

la SCHL considère l'engagement du nouveau débiteur hypothécaire comme une substitution acceptable si le prêteur agréé détermine que le nouveau débiteur est admissible à l'assurance prêt hypothécaire de la SCHL. La SCHL libère alors tout débiteur hypothécaire précédent de son engagement personnel.

Lorsque le prêteur agréé ne détermine pas que le nouveau débiteur hypothécaire est admissible, la SCHL libère tout débiteur hypothécaire précédent de son engagement si les conditions suivantes sont satisfaites :

- la vente a été réalisée de bonne foi, sans lien de dépendence, et
- le nouveau débiteur hypothécaire a versé l'équivalent d'au moins douze mensualités.

Le prêteur agréé doit justifier sa décision de substituer ou de libérer l'engagement personnel et la documenter dans le dossier de prêt. En cas d'incertitude, il peut communiquer avec le SCHL qui pourra orienter sa décision.

Les modalités relatives aux produits d'assurance pour les logements locatifs sont différentes. Étant donné que les critères relatifs à la substitution et à la libération diffèrent, le prêteur agréé doit référer ces dossiers à la SCHL.

IMPLEMENTATION - The clarifications to the policy related to the release and replacement of personal covenants are effective immediately.

ACTION - Please amend your Insurance Servicing (IS) Manual by replacing the following pages with the attached:

IS 0000-04 page 11

IS 0106-01 page 1

IS 0106-02 page 2

ENQUIRIES - All enquiries regarding this advice are to be referred to the Director, Insurance Servicing, CMHC National Office, 700 Montreal Road, Ottawa, K1A 0P7

ENTRÉE EN VIGUEUR - Les clarifications apportées à la ligne de conduite concernant la libération et la substitution d'engagement entrent en vigueur immédiatement.

CONDUITE - Veuillez modifier votre Manuel de l'administration de l'assurance (AA) en remplaçant les pages suivantes par les pages ci-jointes :

AA 0000-04 pages 14 et 15

AA 0106-01 page 1

AA 0106-02 page 2

DEMANDES DE RENSEIGNEMENTS - Toute demande de renseignements concernant le présent avis doit être adressée au Directeur de l'Administration de l'assurance, Bureau national de la SCHL, 700, chemin de Montréal, Ottawa, K1A 0P7.

La Vice-présidente, Assurance,



Karen Kinsley
Vice-President
Insurance



Advice to Approved Lenders Avis aux prêteurs agréés

No./N° 79

Date: 2000-05-31

DOCUMENTATION REQUIRED WHEN FILING A CLAIM

PURPOSE - To inform Approved Lenders of changes pertaining to the documentation required when filing claims for loans which were electronically underwritten through **emili**.

BACKGROUND - Since the inception of **emili**, CMHC has undertaken, for analytical purposes, an underwriting review for every loan in default which has been submitted for claim payment. Accordingly, Approved Lenders have been requested to submit underwriting documents along with the main claim. Payment of the claim, however, was not contingent upon the completion of any underwriting review.

POLICY CLARIFICATIONS - CMHC will no longer require the submission of underwriting documentation for **emili**-underwritten loans, where default occurs more than 12 months from the Interest Adjustment Date.

DOCUMENTATION REQUISE POUR PRÉSENTER UNE DEMANDE DE RÈGLEMENT

BUT - Communiquer aux prêteurs agréés les changements concernant la documentation à joindre aux demandes de règlement ayant trait aux prêts souscrits électroniquement au moyen d'**emili**.

ANTÉCÉDENTS - Depuis la création d'**emili**, la SCHL a effectué, à des fins d'analyse, une vérification de souscription pour tous les prêts ayant fait l'objet d'une demande de règlement. Pour cette raison, on demandait aux prêteurs agréés de joindre à leurs demandes de règlement les documents de souscription connexes. Le règlement de la demande n'était toutefois pas assujéti à cette vérification.

ÉCLAIRCISSEMENT DE LA LIGNE DE CONDUITE - Dorénavant, la SCHL n'exigera plus les documents susmentionnés pour les prêts souscrits par l'intermédiaire d'**emili**, dans les cas où le défaut survient plus de 12 mois après la date d'ajustement de l'intérêt.



Where default occurs within 12 months of the Interest Adjustment Date, CMHC will continue to review the underwriting performed by the Approved Lender when the loan was submitted for insurance. Approved Lenders must continue to submit the following documentation with the main claim form:

New and Existing Loans:

- Offer to Purchase Agreement or Agreement of Purchase and Sale, as applicable
- Application for mortgage loan
- Statement of borrower's assets and liabilities
- Income and employment verification
- Verification of source and existence of equity
- Credit report.

Loans Refinancing Existing Mortgage Debt:

- Application for mortgage loan
- Statement of account for all loans or debts secured by encumbrances (mortgages, liens, judgments) registered against the property
- Statement outlining all fees and disbursements relative to the refinancing
- Description of improvements, if any.

Si, par ailleurs, le défaut survient dans les 12 mois suivant la date d'ajustement de l'intérêt, la SCHL continuera de vérifier la souscription effectuée par le prêteur agréé au moment où il a présenté la demande d'assurance pour ce prêt. Les prêteurs agréés doivent continuer de joindre les documents suivants à la demande de règlement initiale :

Prêts se rapportant à des logements neufs ou existants :

- Offre d'achat ou contrat de vente, selon le cas
- Demande de prêt hypothécaire
- État de l'actif et du passif de l'emprunteur
- Vérification d'emploi et du revenu
- Vérification de la source et de l'existence de la mise de fonds
- Rapport de solvabilité.

Prêts servant au refinancement de la dette hypothécaire :

- Demande de prêt hypothécaire
- État de compte pour tous les emprunts ou dettes garantis par une charge (hypothèque, sûreté réelle, jugement) grevant le bien immobilier
- État des droits et frais entraînés par le refinancement
- Énoncé des travaux de construction et d'aménagement, s'il y a lieu.

Please refer to your Mortgage Loan Insurance Handbook - Insurance Servicing Manual, IS 0501-04 and Accelerated Claim Payment Plan, ACPP 9905-01.

Veuillez consulter le Manuel de l'assurance prêt hypothécaire - Administration de l'assurance - AA 0501-04 et Plan de règlement accéléré des demandes, PRAD 9905-01.

IMPLEMENTATION - These changes are effective immediately

ENTRÉE EN VIGUEUR - Ces changements entrent en vigueur immédiatement.

ENQUIRIES - All inquiries regarding this advice are to be referred to the Director, Insurance Servicing Division, CMHC National Office, 700 Montreal Road, Ottawa, Ontario, K1A 0P7.

DEMANDES DE RENSEIGNEMENTS - Toute demande de renseignements concernant le présent avis doit être adressée au Directeur de la Division de l'administration de l'assurance, Bureau national de la SCHL, 700, chemin de Montréal, Ottawa, K1A 0P7.

La Vice-présidente, Assurance,

A handwritten signature in black ink, appearing to read 'K. Kinsley', with a stylized flourish at the end.

Karen Kinsley
Vice-President,
Insurance

CMHC MORTGAGE LOAN INSURANCE

Section CONTROLS	Subject Management Mandate	Page 1
		1995-12-20

The Insurance Initiation Manual has been prepared to provide Approved Lenders with policies and procedures for new loans insured under the National Housing Act. Administration of the loans and special programs are documented separately in the Insurance Servicing Manual and the Special Programs Manual respectively.

The main purpose of the Insurance Initiation Manual is to facilitate the Approved Lender's understanding of CMHC policies and procedures and enable these to be readily located.

The Insurance Initiation Manual will be regularly updated and maintained by the Senior Communications Analyst, Insurance Products Division from whom additional copies may be obtained.

Unless specified otherwise in this manual, Approved Lenders should address all communications to:

The Director
Insurance Products Division
Canada Mortgage and Housing Corporation
National Office
700 Montreal Road
Ottawa, Ontario
K1A 0P7

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	How to Use Your Manual	1
		1992-11-02

INTRODUCTION

This manual is designed to be easy to use, easy to reference and easy to update.

It is divided into:

Chapters - major divisions physically separated by numbered dividers

Sections - divisions of Chapters

Subjects - divisions of Sections.

LOCATION NUMBER

The manual uses a numbering system which combines an Alpha Prefix with numeric Chapters, Sections and Subjects. The number is shown on the top right corner of each page.

Example:

II 0203-01

II - represents the manual name - Insurance Initiation.

02 - is the Chapter number

03 - is the Section number

01 - is the Subject number.

CMHC MORTGAGE LOAN INSURANCE

Section CONTROLS	Subject How to Use Your Manual	Page 2 1992-11-02
---------------------	-----------------------------------	--------------------------

RETRIEVAL OF
INFORMATION

Studies on the use of manuals have shown that, in most cases, a user has a specific problem; thus, the manual is organized for random access. The procedure for finding a Subject is as follows:

1. Refer to Chapter divider marked "Subject Index" (0000-04). Subjects are listed in alphabetical order.

NOTE: To locate specific forms, refer to the Forms Index.

2. Use the location number to find the information.

A glossary is provided at the back of the manual (Chapter 99). These definitions apply only in the context of the manual.

CMHC MORTGAGE LOAN INSURANCE

Section CONTROLS	Subject Amendment Record - Instructions	Page 1
		1995-12-20

INTRODUCTION

The Amendment Record sheet has been designed to record all Advices to Approved Lenders, sequentially, by number and date. The Amendment Record sheet is at the front of the binder. This simple system allows the user to determine that all revisions have been received.

PROCEDURE

When Advices are received:

1. Enter the date (day, month, year) of the Advice next to the appropriate number on the Record sheet.
2. Check to ensure all previous Advices have been received.

Note: Requests for missing copies of Advices may be made to:

Senior Communications Analyst,
Insurance Products Division
CMHC National Office,
700 Montreal Road,
Ottawa, Ontario.
K1A 0P7.

3. Add new pages as shown on Advice to Approved Lenders.
4. Destroy old pages and Advice to Approved Lenders.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Table of Contents	1
		1993-06-04

<u>CHAPTER</u>	<u>CONTENTS</u>	<u>LOCATION</u>
01	GENERAL	
	General	0101
	Borrower Eligibility	0102
	Post-Approval Processes	0103
	Application Requirements	0104
02	CMHC LOAN INSURANCE	
	General	0201
	Insurance Premiums	0202
	Insurance Premium Schedules	0203
	Underwriting Fees	0204
	Underwriting Fee Schedules	0205
03	MORTGAGE CRITERIA	
	General	0301
	Interest Rates	0302
	Loan Security	0303
	Repayment Arrangements	0304

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Table of Contents	2
		1994-02-16

<u>CHAPTER</u>	<u>CONTENTS</u>	<u>LOCATION</u>
04	NEW LOAN CONSTRUCTION	
	General	0401
	Ownership	0402
	Rental	0403
	Condominium Projects	0404
	Co-Operatives	0405
05	EXISTING HOUSING	
	General	0501
	Ownership	0502
	Rental	0503
06	PROPERTY CONSIDERATIONS	
	General	0601
	Titles	0602
	Certificates	0603
	Lot Services	0604
	Water Quality	0605
	Large Acreages	0606
	Environmental Factors	0607

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Table of Contents	3
		1994-02-16

<u>CHAPTER</u>	<u>CONTENTS</u>	<u>LOCATION</u>
07	APPROVED LENDER DESIGNATION	
	General	0701
	CMHC Requirements	0702
	CMHC Criteria	0703
	Renewal of Approved Lender Designation	0704
	Retention of Designation	0705
	Lenders Under Restrictions	0706
	Fee Schedule for Management of Approved Lender Network	0707
	Mortgage Correspondents	0708
08	OTHER PRODUCTS/SERVICES AVAILABLE UNDER THE NHA	
	General	0801
	Leasehold Lending	0802

CMHC MORTGAGE LOAN INSURANCE

Section CONTROLS	Subject Table of Contents	Page 4
		1998-09-11

<u>CHAPTER</u>	<u>CONTENTS</u>	<u>LOCATION</u>
----------------	-----------------	-----------------

09 INSURANCE PRODUCTS

Special Programs	0901
Chattel Loan Insurance Program	0902
	to
	0905

See the Special Programs (SP) Manual for particulars on the other NHA programs: Federal Cooperative Housing Program, Index-Linked Mortgages, Indian On-Reserve, Mortgage Rate Protection Program, NHA Portfolio Insurance Program, and Social Housing.

10 SECOND MORTGAGE INSURANCE PROGRAM

General	1001
---------	------

99 APPENDIX

General	9901
Provincial Mortgage Charges	9902
GST and NHA Mortgage Loan Insurance	9903
Appraisal Designation Policy	9904
95% Financing	9905
Single Resource Industry Community Policy	9906

Section	Subject	Page
CONTROLS	Subject Index	1
		1998-10-30

SUBJECT	LOCATION
Acreages, Large	0606-01
Additional Security: Loans	0303-04
Adjustable Rate Option	0302-04
Adjustment Date	
- Accelerating	0304-10
- Postponing	0304-10
- Setting	0304-09
Adjustments to Insurance Premium	0202-04
Advances	
- Collection of Interest	0103-07
- General (Post-Approval Processes)	0103-03
- Interest Adjustment Date	0304-09
Age - Borrower Eligibility Criteria	0102-02
Airport Noise	0604-05
Alberta - Standard Mortgage Terms	9902-05
Amortization Period - Ownership - Existing	0502-02
- New	0402-02
- Rental	0403-02
Apartments, Inspections	0103-02
Appraisal Designation Policy	9904-01
Appraisal Product Performance Criteria	9904-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	2
		1995-12-20

SUBJECT

LOCATION

A (Cont'd)

Approved Lender Designation	
- CMHC Criteria	0703-01
- CMHC Requirements	0702-01
- Credit Unions/Caisses Populaires	0703-01
- Fee Schedule for Management of Approved Lender Network	0707-01
- General	0701-02
- Lenders Under Restrictions	0706-01
- Mortgage Correspondents	0708-01
- Overview	0701-01
- Renewal of Approved Lender Designation	0704-01
- Retention of Approved Lender Designation	0705-01
Approvals, Telephone/Fax - Existing Housing Loans	0501-03
Approved Lender's Warranty on Title	0602-06
Authorities, Water Quality	0605-03

B

Basic Processing Service	0103-08
Blending of Interest Rates	0304-07
Borrower Eligibility	
- Eligibility Criteria	0102-02
- Gross Debt Service (GDS) Ratio	0102-03
- Overview	0102-01
- Speculative Loans	0102-04
British Columbia - Provincial Mortgage Charges	9902-02
Builder Covenants, Release of	0303-04
Builder Sales Holdback	0103-05

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	3
		1998-10-30

SUBJECT

LOCATION

B (Cont'd)

Building Co-Operatives - New Construction Loans	0405-02
Buy-down, interest rate (homeownership)	0302-03
Buy-down, interest rate (rental)	0302-03

C

Caisses Populaires - Approved Lender Designation	0703-01
CCME Environmental Quality Criteria	0607-01
Certificate of Insurance	0103-04
Certificates	
- Existing Housing Certificates	0603-03
- Overview	0603-01
- Surveyor's Certificates	0603-02
Changes, Post-Approval	0301-02
Chattel Loan Insurance Program	0902-01
Charges, Provincial Mortgage	
- Alberta	9902-05
- British Columbia	9902-02
- Manitoba	9902-03
- Ontario	9902-04
- Overview	9902-01
CMHC Criteria - Approved Lender Designation	0703-01
CMHC Requirements - Approved Lender Designation	0702-01
CMHC Standard Charge Mortgage - British Columbia	9902-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	4
		1996-12-16

SUBJECT

LOCATION

C (Cont'd)

Collateral Security	0303-04
Collection of Interest on Advances	0103-07
Commercial Facilities/Non-Residential - Underwriting Fee Schedules	0205-05
Compliance Inspections	
- Post-Approval Processes	0103-02
- Standards	0401-03
Condominium Projects - New Construction Loans	
- General	0404-02
- Legal Documentation Reviews	0404-02
- Lending Policies	0404-03
- Overview	0404-01
Condominium and Subdivision Projects (Underwriting Fees)	0204-02
Condominium Registration Holdback	0103-05
Condominiums, Underwriting Fee Schedules	0205-03
Construction Deficiencies	0103-08
Construction Holdbacks	0103-05
Contaminated Land	0607-01
Continuing Co-Operatives - New Construction Loans	0405-03
Conversion Projects, Financing	0801-02
Co-Operatives - New Construction Loans	
- Building Co-Operatives	0405-02
- Continuing Co-Operatives	0405-03
- Overview	0405-01

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	5
		1996-11-22

SUBJECT

LOCATION

C (Cont'd)

Covenants, Additional	0303-04
Covenants, Release of Personal - Conditions to be met	0303-05
Coverage, Mortgage Insurance	0101-02
Credit - Worthiness - Borrower Eligibility Criteria	0102-02
Credit Unions - Approved Lender Designation	0703-01
Criteria - Appraisal Product Performance	9904-02
Criteria, Mortgage Insurance - Borrower Eligibility - General	0102-02 0102-02

D

Debt Coverage Ratio - Investors	0403-03
Debt Service Ratio	0102-03
Defects - Objectionable - Unobjectionable	0602-03 0602-02
Deficiency Claim (Underwriting Fees)	0205-06
Definitions	9901-02
Designation of Approved Lender - Approval - Fee Schedule for Management of Approved Lender Network - Renewal of Approved Lender Designation - Restrictions - Retention	0702-01 0707-01 0704-01 0706-01 0705-01

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	6
		1998-09-11

SUBJECT

LOCATION

D (Cont'd)

Designation Policy - Appraisal	9904-01
Documentation Requirements: Rental, Existing	0503-03
Downpayment	0102-02

E

Eligibility, Borrower	
- Eligibility Criteria	0102-02
- Gross Debt Service (GDS) Ratio	0102-03
- Overview	0102-01
- Speculative Loans	0102-04
Eligibility Criteria	
- Chattel Loan Insurance Program	0903-03
- Mortgage Loan Insurance	0102-02
- New Home Warranty Plans	0402-07
Environmental Consultants	0607-01
Environmental Factors	0607-01
Environmental Risk Management Plans	0607-01
Environmental Site Assessments	0607-01
Equal Payment Mortgage (EPM) Summary	0304-03
Equity - Borrower Eligibility Criteria	0102-02
Equity Grants	0102-02
Escrow Funding	0403-04
Exemptions, Insurance Premium	0202-03

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	7
		1998-09-11

SUBJECT

LOCATION

E (Cont'd)

Existing Housing	
- Certificates	0603-03
- Well Certificates	0605-06

Existing Housing Loans	
- General	0501-01
- Ownership	0502-01
- Rental	0503-01

F

Facsimile (FAX)	
- Fax/Telephone Approvals	0501-03
- Faxed Application Documentation	0103-02

Federal Sales Tax Rebate	9903-01
--------------------------	---------

Fee Schedule for Management of Approved Lender Network	0707-01
--	---------

Fee Schedule, Underwriting	
- Condominium	0205-03
- Deficiency Sales	0205-06
- Homeownership	0205-02
- Non-Residential/Commercial Facilities	0205-05
- Overview	0205-01
- Refinancing	0205-07
- Rentals	0205-04

Fees, Underwriting	
- General	0204-02
- Overview	0204-01
- Refunds	0204-03

Financing Conversion Projects	0801-02
-------------------------------	---------

Financing - 95%	9905-01
-----------------	---------

Fire Insurance	0303-02
----------------	---------

CMHC MORTGAGE LOAN INSURANCE

Section	CONTROLS	Subject	Subject Index	Page	8
				1998-09-11	

SUBJECT

LOCATION

F (Cont'd)

Fixed Rate Option	0302-03
Floating Homes	0902-02
Flood Risk Lending	0604-06
Formerly Contaminated Sites	0607-01
Forms	
- Index	0000-05
- Requisition	9901-03
Full Processing Service	0205-02

G

Gas (Methane), Reclaimed Land Sites	0604-07
Glossary	9901-02
Grants - Equity	0102-02
Gross Debt Service (GDS) Ratio	0102-03
Ground Lease - Leasehold Lending	0802-02
GST Housing Rebate	9903-01

H

Heating, Solar	0801-04
Holdbacks	0103-05

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	9
		1996-05-20

SUBJECT**LOCATION****H (Cont'd)**

Homeownership - Underwriting Fee Schedules	0205-02
Homeownership Rates - Insurance Premiums	0203-02
Housing Certificates, Existing	0603-03
Housing Rebate - GST	9903-01

I

Inability to Sell - Loan Reduction	0103-06
Incentives, Unacceptable Sale	0103-06
Income - Borrower Eligibility Criteria	0102-02
Indian Reserves - Leasehold Lending	0802-07
Infractions	0103-02
Inspections	
- Post Approval	0103-02
- Standards Compliance	0401-03
Insurance Certificate	0103-04
Insurance Coverage	0101-02
Insurance Premium Schedules	
- Homeownership Rates	0203-02
- Overview	0203-01
- Two to Four Units	0203-03
- Rental	0203-04
- Social Housing Rates	0203-05
Insurance Premiums	
- General	0202-02
- Overview	0202-01
- Premium Exemptions	0202-03
- Premium Refunds/Adjustments	0202-04
- Quebec Tax	0202-05

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	10
		1996-11-22

SUBJECT

LOCATION

I (Cont'd)

Insurance Products	0901-01
Insurance - Title	0602-05
Interest Adjustment Date	
- Accelerating	0304-10
- Postponing	0304-10
- Setting	0304-09
Interest on Advances, Collection of	0103-07
Interest Rates	
- Adjustable Rate Option	0302-04
- Buy-down (Ownership)	0302-03
- Buy-down (Rental)	0302-03
- Fixed Rate Option	0302-03
- General	0302-02
- NHA Loans	0302-02
- Overview	0302-01
Investor Units (Small Investment Properties) Rental - New and Existing Loans	0403-03

J

K

L

Land Registration Reform Act - Ontario	9902-04
Land Sites, Reclaimed (Methane Gas)	0604-07
Large Acreages	0606-01

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	11
		1996-05-20

SUBJECT	LOCATION
L (Cont'd)	
Lease	
- Requirements	0802-03
- Unacceptable Conditions	0802-04
Leasehold Lending	
- General	0802-02
- Indian Reserve	0802-07
- Lease Requirements	0802-03
- Loans in Quebec	0802-06
- Overview	0802-01
- Special Insurance Policy Provision	0802-05
- Unacceptable Lease Conditions	0802-04
Lender Designation	
- Approval	0701-02
- Credit Unions	0703-01
- Fee Schedule for Management of Approved Lender Network	0707-01
- Mortgage Correspondents	0708-01
- Renewal of Approved Lender Designation	0704-01
- Restrictions	0706-01
- Retention	0705-01
Lender's Warranty on Title	0602-06
Lenders Under Restrictions	0706-01
Lending Policies - Condominium Projects - New Construction Loans	0404-03
Lien Holdback	0103-05
Loan Amount - Ownership - Existing	0502-02
- New	0402-02
- Rental	0403-02
Loan Ratios - Ownership - Existing	0502-02
- New	0402-02
- Rental	0403-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	12
		1995-12-20

SUBJECT

LOCATION

L (Cont'd)

Loan Reduction	0103-06
Loan Repayment	
- Interest Adjustment Date - Postponing/ Accelerating	0304-10
- Setting	0304-09
Loan Security	
- Additional Security	0303-04
- Mortgages	0303-02
- Non-Mortgage Security	0303-03
- Overview	0303-01
- Release of Personal Covenants	0303-05
Loans, Speculative	0102-04
Loans in Quebec - Leasehold Lending	0802-06
Lot Services	
- Airport Noise	0604-05
- Flood Risk Lending	0604-06
- Overview	0604-01
- Reclaimed Land Sites (Methane Gas)	0604-07
- Road and Rail Noise	0604-04
- Septic Tanks	0604-03
- Wells	0604-02

M

Manitoba - Provincial Mortgage Charges	9902-03
Manufactured Housing, Chattel Loan Insurance	0901-01
Manufacturers, Pumps	0605-05
Maximum Loan Amount - Ownership - Existing	0502-02
- New	0402-02
- Rental	0403-02
Methane Gas, Reclaimed Land Sites	0604-07

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	13
		1998-10-30

SUBJECT

LOCATION

M (Cont'd)

Minimum Term	0304-08 0302-05
Mobile Homes, Chattel Loan Insurance	0902-02
Modular Homes, Chattel Loan Insurance	0902-02
Mortgage Charges, Provincial	
- Alberta	9902-05
- British Columbia	9902-02
- Manitoba	9902-03
- Ontario	9902-04
- Overview	9902-01
Mortgage Correspondents - Approved Lender Designation	0708-01
Mortgage Forms - Acceptable Variations	0303-02
- Standard Mortgage Terms	9901-01
- Mandatory Mortgage Clauses	9902-06
Mortgage Forms Index	9901-04
Mortgage Insurance Premiums	
- Exemptions	0202-03
- General	0202-02
- Overview	0202-01
- Quebec Tax	0202-05
- Refunds/Adjustments	0202-04
Mortgages	
- Equal Payment (Summary)	0304-03
- Funded by Self-Directed RRSPs	0304-06
- Loan Security	0303-02
- Portable	0304-07
- Second	1001-01
- Variable Rate (Summary)	0304-04
Multiple Width Housing (Mobile)	0902-02
Municipal Taxes	0304-02
Municipal Taxes - Waiver of tax payment	0303-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	14
		1995-12-20

SUBJECT	LOCATION
N	
National Housing Act (NHA)	0101-02
Natural Contaminants (Radon Gas)	0607-01
Nature of NHA Mortgage Insurance	0101-02
New Construction Loans	
- Condominium Projects	0404-01
- Co-Operatives	0405-01
- General	0401-02
- Ownership	0402-01
- Rental	0403-01
- New Home Warranty Plans	0402-03
New Construction Loans - General	0401-02
New Home Warranty Plans	
- New Construction Loans	0402-03
- Renovation Warranty Program - Quebec	0402-04
- Application Process	0402-05
- Minimum Warranty Criteria	0402-06
- Warranty Plans (List of)	0402-07
NHA Loans - Minimum Term and Interest Rates	0304-08
Noise	
- Airport	0604-05
- Road and Rail	0604-04
Non-Defects in Title	0602-04
Non-Mortgage (Loan) Security	0303-03
Non-Residential/Commercial Facilities - Underwriting Fee Schedules	0205-05
Non-Residential Facilities - General	0801-03

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	15
		1998-09-11

SUBJECT

LOCATION

O

Objectionable Defects	0602-03
One-Industry Community	9906-02
Ontario - Provincial Mortgage Charges	9902-04
Options, Rate	
- Adjustable	0302-04
- Fixed	0302-03
Other Products/Services Available Under NHA	
- Financing Conversion of Projects	0801-02
- Leasehold Lending	0802-01
- Non-Residential Facilities	0801-03
- Overview	0801-01
- Solar Heating	0801-04
Overview	
- Appendix	9901-01
- Application Documents - Requirements	0104-01
- Approved Lender Designation - General	0701-01
- Borrower Eligibility	0102-02
- Certificates	0603-01
- Chattel Loan Insurance Program	0902-01
- Existing Housing Loans	0501-01

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	16
		1997-03-20

SUBJECT

LOCATION

O (Cont'd)

Overview (Cont'd)

- General	0101-01
- Insurance Premium Schedules	0203-01
- Insurance Premiums	0202-01
- Interest Rates	0302-01
- Leasehold Lending	0802-01
- Loan Security	0303-01
- Lot Services	0604-01
- Mortgage Criteria - General	0301-01
- New Construction Loans	0404-01
- Other Products/Services Available Under the NHA	0801-01
- Post-Approval Processes	0103-01
- Premiums and Fees - General	0201-01
- Property Considerations - General	0601-01
- Provincial Mortgage Charges	9902-01
- Repayment Arrangements	0304-01
- Rural Properties	0606-01
- Special Programs	0901-01
- Second Mortgage Insurance Program	1001-01
- Titles - Property Considerations	0602-01
- Underwriting Fee Schedules	0205-01
- Underwriting Fees	0204-01
- Water Quality	0605-01

Ownership - Existing Housing Loans

- General	0502-02
- Overview	0502-01
- 2 to 4 Units, Owner-Occupied	0403-03

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	17
		1998-09-11

SUBJECT

LOCATION

O (Cont'd)

Ownership - New Construction Loans	
- General	0402-02
- Overview	0402-01
- 2 to 4 Units, Owner-Occupied	0403-03
- New Home Warranty Plans	0402-03
- Renovation Warranty Program - Quebec	0402-04
- Warranty Plans - Application Process	0402-05
- Warranty Plans - Minimum Warranty Criteria	0402-06
- Warranty Plans (List of)	0402-07

P

Partial Release of Sale Holdback	0103-06
Payment of Insurance Premium	0202-02
PCBs, Pumps Possibly Containing	0605-04
PCBs Policy (Water Quality)	0605-02
Percentage Completion Guide	0103-08
Personal Covenants	
- Release - Conditions to be met	0303-05
Portable Mortgage Insurance	0304-07
Post-Approval Changes	0301-02
Post-Approval Processes	
- Advances	0103-03
- Collection of Interest on Advances	0103-07
- Holdbacks	0103-05
- Inspections	0103-02
- Loan Reductions	0103-06
- Mortgage Loan Insurance Policy	0103-04
- Overview	0103-01
Postponing/Accelerating Interest Adjustment Date	0304-10

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	18
		1997-05-29

SUBJECT

LOCATION

P (Cont'd)

Premium, Insurance

- General	0202-02
- Overview	0202-01
- Premium Exemptions	0202-03
- Premium Refunds/Adjustments/Transfers	0202-04
- Premiums: Homeownership	0203-02
Rental - New and Existing	0203-04
Social Housing	0203-05
Two to Four Units	0203-03
- Quebec Tax	0202-05

"Prepay and Skip" Mortgage Option 0304-11

Prime Plus Processing Service 0205-02

Processing Service (Underwriting Fee)

- Basic	0205-02
- Full	0205-02
- Prime Plus	0205-02

Products, Insurance 0901-01

Progress Advance **Reviews**

- Basic Processing Service	0103-08
----------------------------	---------

Progress Advance Examinations/Re-Inspections 0103-02

Progress Advances 0103-03

Project - Conversion 0801-02

Projects - NHA Financed 0101-02

CMHC MORTGAGE LOAN INSURANCE

Section CONTROLS	Subject Subject Index	Page 19 1998-10-30
---------------------	--------------------------	--------------------------

SUBJECT

LOCATION

P (Cont'd)

Property Considerations

- Certificates	0603-01
- General	0601-01
- Lot Services	0604-01
- Titles	0602-01
- Water Quality	0605-01
- Water Quantity	0604-02

Property Taxes

0304-02

Property Taxes - Waiver

0303-02

Provincial Mortgage Charges

- Alberta	9902-05
- British Columbia	9902-02
- Manitoba	9902-03
- Ontario	9902-04
- Overview	9902-01

Pumps (Water Quality)

- Manufacturers	0605-05
- Possibly Containing PCBs	0605-04

Q

Quebec

- Leasehold Lending	0802-06
- Renovation Warranty Program - New Construction Loans	0402-04
- Tax on Insurance Premiums	0202-05

R

Radon Gas

0607-01

Rail and Road Noise

0604-04

Rate used (interest rate)

0302-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	20
		1994-02-16

SUBJECT	LOCATION
R (Cont'd)	
Rates, Insurance Premiums	
- Homeownership	0203-02
- Two to four Units	0203-03
- Overview	0203-01
- Rental	0203-04
- Social Housing	0203-05
Rates, Interest	
- Adjustable Rate Option	0302-04
- Fixed Rate Option	0302-03
- General	0302-02
- Overview	0302-01
- Six-month interest rate	0302-05
Real Estate/Appraisal Association Selection Criteria	9904-01
Real Property (Amendment) Act - Manitoba	9902-03
Rebate - Federal Sales Tax	9903-01
Rebate - Goods and Services Tax	9903-01
Reclaimed Land Sites (Methane Gas)	0604-07
Reduction - Loan	0103-06
Refinancing	
- Existing Housing Loans	0501-04
- Underwriting Fees	0205-07
Refunds	
- Insurance Premiums	0202-04
- Underwriting Fees	0204-03
Release of Personal Covenants	0303-05
Release of Sale/Holdback - Partial	0103-06
Renewal of Approved Lender Designation	0704-01

Section	Subject	Page
CONTROLS	Subject Index	21
		1996-11-22

SUBJECT

LOCATION

R (Cont'd)

Renovation Warranty Program - Quebec - New Construction Loans	0402-04
Rent as Equity	0102-02
Rent to Purchase	0102-02
Rental Achievement Holdback	0103-05 0403-02
Rental - Existing Housing Loans	
- Documentation Requirements	0503-03
- General	0503-02
- Overview	0503-01
- Investor Units	0403-03
Rental - New Construction Loans	
- Escrow Funding	0403-04
- General	0403-02
- Investor Units	0403-03
- Overview	0403-01
- Investor Units	0403-03
Rental Rates	0203-04
Rentals - Underwriting Fee Schedules	0205-04
Repayment Arrangement Types	0304-02
Repayment Arrangements	
- Equal Payment Mortgage (EPM) Summary	0304-03
- General	0304-02
- Mortgages Funded by Self-Directed RRSPs	0304-06
- Overview	0304-01
- Portable Mortgages	0304-07
- "Prepay and Skip" Mortgage Option	0304-11
- Variable Rate Mortgage (VRM)	
- Eligibility Criteria	0304-05
- Summary	0304-04

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	22
		1998-09-11

SUBJECT

LOCATION

R (Cont'd)

Resource Industry Community (Single)	9906-02
Restrictions of Approved Lenders	0706-01
Retention of Approved Lender Designation	0705-01
Reviews, Progress Advances - Basic Processing Service	0103-08
Risk Management Plans (environmental)	0607-01
Road and Rail Noise	0604-04
RRSPs, Mortgages Funded by Self-Directed	0304-06

S

Sale to Unacceptable Purchaser	0103-06
Sales Holdback	0103-05
Sales Tax Rebate - Federal	9903-01
Schedule - Fee - Management of Approved Lender Network	0707-01
Schedules, Insurance Premiums	
- Homeownership Rates	0203-02
- Two to four units	0203-03
- Overview	0203-01
- Rental Rates	0203-04
- Social Housing Rates	0203-05
Schedules, Underwriting Fees	
- Condominiums	0205-03
- Deficiency Claim Settlement	0205-06
- Homeownership	0205-02
- Non-Residential/Commercial Facilities	0205-05
- Overview	0205-01
- Refinancing	0205-07
- Rentals	0205-04
Scope of NHA Mortgage Insurance	0101-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	23
		1996-11-22

SUBJECT

LOCATION

S (Cont'd)

Second Mortgage Insurance Program	1001-01
Security, Loan	
- Additional Security	0303-04
- Mortgages	0303-02
- Non-Mortgage Security	0303-03
- Overview	0303-01
- Release of Personal Covenants	0303-05
Selection Criteria - Real Estate/Appraisal Association	9904-01
Self-Directed RRSPs, Mortgages Funded by	0304-06
Septic Tanks	0103-05 0604-03
Serious Infractions Holdbacks	0103-05
Service, Processing (Underwriting Fees)	
- Basic	0205-02
- Full	0205-02
- Prime Plus	0205-02
Services Holdbacks	0103-05
Single Advance	0103-03
Single Resource Industry Community	9907-02
Site Assessments (Environmental)	0607-01
"Skip a Payment" Mortgage Option	0304-11
Small Investment Properties	
- 1 to 6 Units, Investor Units	0403-03
- 2 to 4 Units, Owner-Occupied	0402-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONTROLS	Subject Index	24
		1998-10-30

SUBJECT

LOCATION

S (Cont'd)

Social Housing Rates - Insurance Premiums	0203-05
Solar Heating	0801-04
Special Programs	0901-01
Special Risk Community	9906-02
Speculative Loans	0102-04
Standard Mortgage Terms	9901-01
Standard Mortgage Terms (Alberta) - Calgary and Edmonton	9902-05
Standards Compliance Inspections - New Construction Loans	0401-03
Subdivision/Condo Projects (Underwriting Fees)	0204-02
Summary	
- Equal Payment Mortgage (EPM)	0304-03
- Variable Rate Mortgage (VRM)	0304-04
Surveyor's Certificates	0603-02

T

Taxes, Municipal	0304-02
Telephone/Fax, Approval	
- Existing Housing Loans	0501-03
Term - Coverage	0101-02
Term of NHA Loan (Minimum)	0302-05
Title - Lender's Warranty on	0602-06
Title - Non-Defects on	0602-04

CMHC MORTGAGE LOAN INSURANCE

INSURANCE INITIATION

II 0000-04

Section	Subject	Page
CONTROLS	Subject Index	25
		1996-11-22

SUBJECT

LOCATION

T (Cont'd)

Title Insurance	0602-05
Titles	
- Non-Defects in Title	0602-04
- Objectionable Defects	0602-03
- Overview	0602-01
- Unobjectionable Defects	0602-02
Total Debt Service (TDS) Ratio	0102-03
Types of Repayment Arrangements	0304-02

U

Unacceptable Lease Conditions	0802-04
Unacceptable Sale Incentives	0103-06
Underwriting Fees	
- General	0204-02
- Overview	0204-01
- Refunds	0204-03
Underwriting Fee Schedules	
- Condominium	0205-03
- Deficiency Claim Settlement	0205-06
- Homeownership	0205-02
- Non-Residential/Commercial Facilities	0205-05
- Overview	0205-01
- Refinancing	0205-07
- Rental	0205-04
Unobjectionable Defects	0602-02

CMHC MORTGAGE LOAN INSURANCE

INSURANCE INITIATION

II 0000-04

Section	Subject	Page
CONTROLS	Subject Index	26
		1996-11-22

SUBJECT

LOCATION

V

Variable Rate Mortgage (VRM)

- Conversion from EPM to VRM

Refer to Insurance
Servicing Manual

- Eligibility Criteria

0304-05

- Summary

0304-04

W

Warranty Plans - New Construction Loans

- Loan Categories
- Renovation - Quebec
- Application Process
- Minimum Warranty Criteria
- Warranty Plans (List of)

0402-03

0402-04

0402-05

0402-06

0402-07

Warranty on Title - Lender's

0602-06

Water Quality

- Authorities
- General
- Overview
- Pump Manufacturers
- Pumps Possibly Containing PCBs
- Well Certificates for Existing Housing

0605-03

0605-02

0605-01

0605-05

0605-04

0605-06

Water Quantity

0604-02

Wells

- Certificates for Existing Housing
- Lot Services

0605-06

0604-02

X

Y

Z

CMHC MORTGAGE LOAN INSURANCE

Section CONTROLS	Subject Forms Index	Page 1
		1998-09-11

<u>FORM NUMBER</u>	<u>TITLE</u>	<u>LOCATION</u>
CMHC 530	Request - Certificate of Insurance for Home Ownership Only	0402-02
CMHC 530B	Request - Certificate of Insurance (Rental/Condominium/Investor/Social Housing)	0404-02
CMHC 987	Report of Loans in Arrears	0902-06
CMHC 990	Notice - Loan Advance and Premium Payment	0103-03
CMHC 1314	Endorsement - Certificate of Insurance	0103-04
CMHC 1675	Application for NHA Insured Loan Rental/Condominium Housing Project	0501-04
CMHC 1688	Typical Easements, Restrictions or Encroachments, Considered Unobjectionable Under National Housing Loan Regulation 44(3)	0602-02
CMHC 2010	Notice - Assignment - Consultant Inspections	0401-03
CMHC 2729	Authorization - Loan Advance	0103-08
CMHC 2846	Delinquent Account Analysis	0902-06

CMHC MORTGAGE LOAN INSURANCE

Section GENERAL - GENERAL	Subject Overview	Page 1
		1998-09-11

INTRODUCTION

This Chapter defines the role of Canada Mortgage and Housing Corporation (CMHC) in underwriting insurance for mortgage loans, under the National Housing Act (NHA).

Refer to location numbers for details.

NATURE AND SCOPE
OF NHA MORTGAGE
INSURANCE

This Subject provides an outline for mortgage loan insurance policies including types of housing units and available coverage.

(0101-02)

BORROWER
ELIGIBILITY

This Section outlines eligibility criteria that borrowers must satisfy for NHA insured homeowner loans.

(0102-01)

POST-APPROVAL
PROCESSES

This Subject outlines the procedure the Approved Lender must follow after an NHA insured loan is approved. This includes inspections and advances of funds.

(0103-01)

APPLICATION
DOCUMENTS -
REQUIREMENTS

This Section illustrates the documentation to complete an application for NHA homeowner mortgage loan insurance.

Please refer to 0503-03 for rental application requirements.

(0104-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
GENERAL	Nature and Scope of NHA Mortgage Insurance	1
		1998-09-11

INTRODUCTION

The National Housing Act (NHA) of 1954 introduced mortgage insurance in Canada. This Act authorized Canada Mortgage and Housing Corporation (CMHC) to operate a Mortgage Insurance Fund which protects NHA Approved Lenders from losses resulting from borrower default. The Act also provides the basic framework for the operation of public mortgage loan insurance.

APPROVED LENDER
RESPONSIBILITY

CMHC expects all Approved Lenders to be committed to quality underwriting. The Approved Lender must be fully satisfied that the information being obtained by them accurately represents the facts and complies with CMHC's underwriting policies.

CRITERIA FOR
NHA-INSURED
LOANS

Approved Lenders may provide NHA insured mortgage loans for all types of new and existing housing units (including manufactured homes), and for a variety of purposes such as homeownership and rental. The essential requirements are that:

- the housing be intended for full-time rather than seasonal occupancy;
- the housing does or can reasonably conform to established construction standards; and
- not more than a reasonable proportion of the borrower's (or project's) income is required for mortgage repayment purposes.
- the borrower is assessed in accordance with CMHC's borrower eligibility criteria.

NHA-Financed Projects

NHA-financed projects including non-residential facilities, must meet specific criteria. Parking, service, and amenity areas are required elements for efficient project operation and enjoyment of the project by the occupants.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
GENERAL	Nature and Scope of NHA Mortgage Insurance	2
		1998-09-11

REQUEST FOR AN
EXCEPTION

Where the loan application has any characteristics which might normally be reason for refusal, but the Approved Lender's analysis concludes that there are mitigating circumstances or additional information that should be considered, a written request for an exception, including the Approved Lender's rationale, is to be submitted to the local CMHC office.

Where the borrower doesn't meet all borrower eligibility criteria, CMHC expects the shortfall to be compensated by other factors such as excellent credit history, solid employment and earning potential, good downpayment, etc.

Debt coverage shortfalls on 95% Financing are not considered, as the mitigating circumstances are limited.

INSURANCE
COVERAGE

Coverage is for 100% of the insurable mortgage advances for which premiums have been, or will be paid to CMHC, plus certain other costs.

COMMENCEMENT

Coverage begins when the loan is advanced according to the terms and conditions of the Certificate of Insurance, and the applicable provisions of the National Housing Act, NHA Regulations and CMHC policies.

COVERAGE TERM

NHA insurance continues in force, without further premium payments, as long as the loan remains unpaid, and continues to be administered by an NHA Approved Lender.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Overview	1
		1998-09-11

INTRODUCTION

The Approved Lender is responsible for ensuring that the prospective borrower, whether an owner-applicant, a builder to whom the Approved Lender has provided a pre-sold loan, a purchaser of a newly constructed home or, in the case of a speculative builder, a purchaser, meets the prescribed home ownership eligibility criteria, as well as those implicit in the phrase, "in accordance with normal and prudent mortgage lending practice."

Information regarding borrower eligibility can **also** be found in the publication "Borrower Eligibility" that may be obtained from **any CMHC Office**. This publication covers the major areas and issues of borrower assessment. However, it is only intended as a guide and does not replace the CMHC Mortgage Loan Insurance Handbook.

CMHC requires its borrower underwriting process to be prudently applied for every homeowner loan that is the subject of an application for mortgage loan insurance. This will ensure that only good quality loans are approved, with borrowers who have the capacity and willingness to honour their mortgage obligations over the long term.

ELIGIBILITY
CRITERIA

NHA borrowers must satisfy income, equity and credit worthiness requirements.

(0102-02)

GROSS DEBT
SERVICE
(GDS) RATIO

Gross Debt Service (GDS) ratio is the relationship between a borrower's income and his/her shelter costs.

(0102-03)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Overview	2
		1998-09-11

TOTAL DEBT SERVICE (TDS) RATIO Total Debt Service (TDS) ratio is the relationship between a borrower's income and the carrying costs for both shelter and any other debts he/she may have incurred.

(0102-03)

CLOSING COSTS **NHA borrowers are required to demonstrate their ability to cover costs related to buying a property.**

(0102-03)

SPECULATIVE LOAN An Approved Lender should provide a speculative loan to a builder only after an examination of the builder's financial condition has been carried out.

(0102-04)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Eligibility Criteria	1
		1998-09-11

INTRODUCTION

A borrower may be:

- an owner-applicant,
- a builder,
- a purchaser.

The Approved Lender must ensure that the prospective borrower meets the home ownership eligibility criteria which are considered normal and prudent mortgage lending practice.

AGE

There is no prescribed borrower age limit for NHA insured loans; however, the applicant(s) must have the capacity to enter into legal contracts in accordance with provincial law, and in addition, satisfy the Approved Lender as to the continuity of income for mortgage repayment purposes.

EQUITY

The Approved Lender must ensure that the borrower is supplying from his/her own resources a minimum equity of **5%** of the property value as determined by CMHC. **Where a Standard Variable Rate Mortgage is being used, the minimum equity is 15% of the property value.**

Own resources means:

- Cash, i.e. applicant(s) savings. **There should be indication that savings have been accumulated over time.**

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Eligibility Criteria	2
		1998-09-11

EQUITY
(cont'd)

- Borrowing against proven assets
Proven assets are financial in nature, unencumbered by debt, readily convertible to cash and securable.

Examples of proven assets that are financial in nature:

- . cash;
- . GICs;
- . Savings Bonds;
- . Treasury Bills;
- . common and preferred shares;
- . MBS certificates; and
- . Mutual Fund investments.

Borrowing against non-financial assets is not an acceptable way to meet CMHC's minimum equity. Examples of assets that are not financial in nature:

- . personal effects;
- . furniture;
- . automobiles;
- . equipment;
- . jewelry;
- . patents;
- . receivables and IOUs;
- . goodwill;
- . foreign assets;
- . unused tax;
- . credits; and
- . stock options.

- Land or Real Property, i.e. owned free and clear or equity supported by a recent acceptable appraisal.
- Owner-Labour, i.e. a reasonable estimate based on the applicant's own proven skills and time available to perform the work must be supplied. The labour must be clearly specified in the construction agreement with the builder. Generally, the allowance should not exceed one-half of the required minimum equity figure.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Eligibility Criteria	3
		1998-09-11

EQUITY
(cont'd)

- Financial gifts. All or part of the minimum equity requirement may be provided by way of a financial gift, as long as all of the following conditions are met:

- . the donor is an immediate relative of the borrower;
- . the Approved Lender has verified that the money is a genuine gift; and
- . the Approved Lender has verified that the funds are in the borrower's possession prior to the time of application to CMHC for mortgage loan insurance.

The Approved Lender will verify the authenticity of the gift by obtaining a written confirmation, signed by the donor and the borrower, which will confirm the following points:

- the money is a genuine gift from the donor and does not ever have to be repaid;
- no part of the financial gift is being provided by any third party having any interest (direct or indirect) in the sale of the subject property.

The Approved Lender is not required to forward this confirmation to CMHC, but is expected to retain the information in its paper or electronic loan record.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Eligibility Criteria	4
		1998-09-11

RENT AS EQUITY Rent should only be accepted as equity if it is acknowledged in a contractual agreement that includes the prepayment of equity on a monthly basis, as part of an agreement to purchase. This agreement would involve the monthly payment of an amount in excess of the current market rent for the property and would also include at least a partial refund in the event the prospective purchaser does not exercise his/her right to buy. The amount of equity credited to the borrower should only represent the sum of the amounts by which monthly payments exceed the market rent for the property.

EQUITY GRANTS Occasionally, the Federal Government, the Provinces or the Municipalities, may introduce housing loans programs which may be used in conjunction with NHA mortgage loan insurance.

Non-repayable public agency homeowner grants are an acceptable source of equity, if the following conditions are met:

- the grant is exclusively from a federal, provincial or municipal agency;
- the exact amount of the grant is known in advance, and the funds are available on the closing day of the transaction; and
- the funds are not generated as a result of the transaction.

All other standard underwriting criteria must be met.

NOTE: Please consult the local CMHC Office with any questions regarding the acceptability of a particular federal, provincial or municipal housing assistance program.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Eligibility Criteria	5
		1998-09-11

INCOME

The employment and income of the applicants must be verified to ensure their income sources are steady and sufficient to meet their obligations under the mortgage.

CREDIT-
WORTHINESS

A report on the borrower's credit-worthiness must be obtained from an independent credit reporting agency. The report should provide sufficient details to confirm the borrower's:

- current address, identification,
- loan and repayment records,
- recent enquiries.

A copy of the written report, with at least three years of history, should be retained in the Approved Lender's file.

A handwritten transcript of a verbally obtained credit report may take the place of a written report.

For self-employed borrowers, a credit report on the business should also be obtained.

Particular attention must be paid to the underwriting of borrowers who have a weak credit history. The Approved Lender must be satisfied that the circumstances leading to a questionable credit rating have been resolved. This determination must be supported by a solid rationale, which is documented and retained in the Approved Lender's records.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Gross and Total Debt Service (GDS & TDS) Ratios	1
		1998-09-11

INTRODUCTION

The Gross Debt Service (GDS) and Total Debt Service (TDS) ratios measure a borrower's capacity to repay a loan. The GDS relates gross income to shelter costs. The TDS ratio relates the carrying costs of both shelter and consumer debt to gross income.

GDS RATIO
CALCULATION

Because space heating costs are a significant component of shelter costs, the GDS ratio includes heating costs and is calculated as follows:

$$\frac{\text{Annual Loan Repayment (principal/interest/taxes)} + \text{space heating costs}}{\text{Gross Annual Income}} \times 100$$

Note: The total insured loan amount, including the mortgage insurance premium is to be used for GDS and TDS calculation purposes (except where the premium is paid up front).

To calculate the annual loan repayment amount for mortgage loans with a 3 year term or less, use the greater of the **posted** 3 year rate or the actual rate for the term chosen. CMHC will, if requested, assist Approved Lenders in verifying the validity of space heating estimates.

NOTE: Where applicants have been pre-qualified at a guaranteed three year interest rate, (or the five year interest rate for applicants for 95% Financing), but interest rates rise before application to CMHC, the pre-qualification will be recognized by CMHC as long as the Approved Lender honours the commitment to give the borrower the lower interest rate. If the interest rate guarantee expires before the borrower can lock in the loan, the borrower will have to be re-qualified using the new three-year (or 5 year) interest rate. (See Chart "Interest Rates for Qualifying Applicants")

95% Financing

For loans with a loan-to-value ratio greater than 90%, up to and including 95%, see II 9905-01.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Gross and Total Debt Service (GDS & TDS) Ratios	2
		1998-09-11

GDS RATIO
CALCULATION
(cont'd)

Condominium

For condominium units, the GDS ratio is calculated on principal/interest/taxes, space heating costs and 50% of the estimated or actual condominium fees.

GDS RATIO
MAXIMUM

For single units the Approved Lender can approve ratios up to 32% without reference to CMHC. Higher ratios may be approved by CMHC on the Approved Lender's recommendation.

For **owner-occupied buildings of 2 to 4 units, except for 95% Financing (see II 9905-01)**, the GDS is not used to qualify the borrower, (see Total Debt Service calculation).

Secondary Financing

The repayment of any other mortgage associated with the NHA insured transaction is to be included in the GDS ratio.

TOTAL DEBT
SERVICE
(TDS) RATIO

This ratio relates the carrying costs of both shelter and consumer debt to gross income. The maximum Total Debt Service (TDS) Ratio for borrower eligibility is **40% for all homeowner loans including owner-occupied buildings of 2 to 4 units and 1 to 6 unit small rental properties.**

For single homeowner units, the maximum TDS is calculated as follows:

Annual Loan Repayment

$$\frac{\begin{array}{l} \text{(principal/interest/} \\ \text{taxes and heat} \end{array} + \begin{array}{l} \text{Other} \\ \text{Debts Service} \end{array}}{\text{Gross Annual Income}} \times 100$$

For the purpose of calculating the TDS on small **rental properties** of 1 to 6 units, and owner-occupied buildings of 2 to 4 units, up to 50% of the confirmed gross rental income from the project may be added to the borrower's income. The Approved Lender is required to verify the gross rental income, by reviewing the leases. The maximum TDS is calculated as follows:

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Gross and Total Debt Service (GDS & TDS) Ratios	3
		1998-09-11

TOTAL DEBT
SERVICE
(TDS) RATIO
(cont'd

Total P&I on Project + Other Debts Service
X 100
Gross Borrower Income + 50% of Confirmed Gross
Rental Income on the
Subject Project
(See Notes 1, 2 and 3)

Note 1: For investment properties of 5 and 6 units, the actual verified arm's length operating expenses may be used to determine the project's net operating income for TDS calculation, rather than the arbitrary limit of 50% of gross rental income.

Note 2: For new construction, where gross rental income cannot be confirmed, the borrower must be able to carry the total debt on his/her own gross income.

Note 3: Where a borrower has other investment properties, the Total Debt Service (TDS) ratio calculation of the subject property must also include the total P&I and 50% of confirmed gross rental income of these other investment properties.

CLOSING COSTS

The Approved Lender must verify that the borrower can cover closing costs, in an amount of at least 1.5% of the purchase price, either in cash, or by including the amount in the calculation of Total Debt Service (TDS) ratio, based on 12 month repayment, or a combination thereof.

In general, "closing costs" refer to non-discretionary expenses incurred by the buyer at the time of purchasing the home.

CMHC MORTGAGE LOAN INSURANCE

Section BORROWER ELIGIBILITY	Subject Gross and Total Debt Service (GDS & TDS) Ratios	Page 4 1998-09-11
---------------------------------	--	-------------------------

Interest Rates for Qualifying Applicants for CMHC-Insured Homeowner Loans

	95% Financing (less than 10% downpayment)		All other homeowner loans (minimum 10% downpayment) *	
	LOAN TERM (minimum 3 years)	QUALIFYING INTEREST RATE	LOAN TERM	QUALIFYING INTEREST RATE
FIXED RATE LOAN	Term of less than 5 years	5 year posted interest rate	Term of less than 3 years	3 year posted interest rate
	5 year term or longer	Contract interest rate	3 year term or longer	Contract interest rate
CMHC APPROVED STANDARD VRM (*minimum downpayment is 15%)	N/A	N/A	Term of less than 3 years	3 year posted interest rate
	N/A	N/A	3 year term or longer	3 year posted interest rate
CMHC APPROVED CAPPED VRM	Term of less than 5 years	Higher of the 5 year posted rate or the interest rate cap specified in the loan contract	Term of less than 3 years	Higher of the 3 year posted rate or the interest rate cap specified in the loan contract
	5 year term or longer	The interest rate cap specified in the loan contract	3 year term or longer	The interest rate cap specified in the loan contract



CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
BORROWER ELIGIBILITY	Speculative Loans	1
		1992-11-02

INTRODUCTION

A speculative loan is a loan to a borrower who intends to sell the unit or project to an approved purchaser.

INVESTIGATION

The Approved Lender should carry out whatever investigations are necessary to ensure that the builder is capable of completing and selling the units on which loans have been granted.

APPROVED
LENDER'S
RESPONSIBILITY

It is the Approved Lender's responsibility to conduct whatever analysis is appropriate to ensure that the builder is financially capable, and has the experience and expertise to bring all units to a satisfactory completion. By signing the CMHC 530, **or the Approved Lender's accepted application form**, the Approved Lender certifies that he/she has carried out all necessary reviews, and is satisfied with the builder's competence.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Overview	1
		1997-05-29

INTRODUCTION

The following processes occur after mortgage loan insurance approval has been obtained.

INSPECTIONS

At its own discretion, CMHC may conduct, or cause to be conducted, inspections to ensure that the subject property is in reasonable conformance with the applicable building standards, or to ascertain the degree of completion. All inspections are for the purpose of appropriately managing CMHC's potential financial risk in the transaction, and do not constitute any general or specific assurance to either the Approved Lender or the borrower.

Alternatively, CMHC may base progress-advance calculations on reports from professional engineers or architects-of-record.

(0103-02)

ADVANCES

NHA loans are disbursed either as progress advances, as the work proceeds, or in a single advance, upon completion.

(0103-03)

CERTIFICATE OF
INSURANCE

CMHC issues the Certificate of Insurance on request of the Approved Lender, after all loan advances have been made and the full premium has been paid.

(0103-04)

HOLDBACKS

There are various types of holdbacks, as explained in this section, and they may be combined or released gradually.

(0103-05)

LOAN REDUCTIONS

There are various reasons why the loan may be reduced, as explained in this section, such as a sale to an unacceptable purchaser, unacceptable sale incentives, or the inability to sell the house.

(0103-06)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Overview	2
		1992-11-02

COLLECTION OF
INTEREST ON
ADVANCES

Interest on progress advances becomes due and payable usually by arrangement between the borrower and Approved Lender, but not longer than monthly.

(0103-07)

BASIC PROCESSING
SERVICE -
PROGRESS ADVANCE
EXAMINATIONS

For a reduced underwriting fee, the Approved Lender may, under the Basic Processing Service, carry out the progress advance examinations for mortgage advancing purposes.

(0103-08)

CMHC MORTGAGE LOAN INSURANCE

Section POST-APPROVAL PROCESSES	Subject Inspections	Page 1 1997-05-29
---------------------------------------	------------------------	-------------------------

INTRODUCTION

Canada Mortgage and Housing Corporation (CMHC) may, at its discretion and for its own purposes, conduct inspections for compliance with applicable building standards, or to ascertain the degree of completion of construction. CMHC accepts no responsibility for determining the value or condition of the property on behalf of any third party, whether or not inspections are conducted.

COMPLIANCE
INSPECTIONS

CMHC may, at its discretion and for its own purposes, conduct or cause to be conducted, compliance inspections to ensure that:

- the accepted plans and specifications are being followed;
- the work reasonably conforms to the applicable provincial, territorial or, in its absence, the "National Building Code of Canada" for new construction or, CMHC's "Minimum Property Requirements for Existing Residential Buildings", NHA 6963 for the purpose of appropriately managing potential financial risk to CMHC.

FIRST NATIONS'
COMMUNITIES

On designated First Nations' reserve lands, and land-set-aside, where a band council has, with due process, published or adopted a building code based on the National Building Code, CMHC requires conformance to that code.

Where a band council has not published or adopted such a building code, CMHC requires conformance to the 1995 edition of the National Building Code, except those projects for which application for NHA assistance was made prior to December 31, 1996 which must conform to either the 1990 or 1995 edition of the National Building Code.

PROGRESS ADVANCE
REVIEWS

Progress advance reviews are only carried out at the request of the Approved Lender.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Inspections	2
		1997-05-29

REPORTING OF
DEFICIENCIES

CMHC will advise the Approved Lender of departures from the accepted plans, specifications or established standards that may have been identified and that appear serious enough to warrant correction and re-inspection (with or without holdback).

LARGE
BUILDINGS

For buildings exceeding three storeys in building height or 600 square metres in building area, the borrower must appoint a consultant who is skilled in the appropriate section of the work:

- to be responsible for the design and inspection of the assigned aspects of construction; and
- to ensure conformity with established standards and the accepted plans and specifications.

Note: Consultants must submit reports to CMHC on form 2012, Report-Inspection-Consultant.

Forms CMHC 530, Certificate of Insurance issued for projects large enough to be subject to the Special Consultant Inspection Requirements, will bear a notation to that effect.

INSPECTION
REPORT

At its own discretion and where CMHC carries out an inspection, it will provide any relevant observations to the Approved Lender.

The Approved Lender must immediately send a copy of the relevant observations to the borrower so that any infractions can be corrected.

Note: It is the Approved Lender's responsibility to notify the borrower of any infractions.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Inspections	3
		1997-05-29

DISCLAIMER

Inspection reports are prepared solely for CMHC's purposes. They do not constitute a representation or warranty as to the condition or value of the subject property, nor that the subject property is in conformance to any building or property standards. Neither CMHC nor the person(s) preparing or approving the report assumes any responsibility for any loss or damage as a result of the preparation of the report.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Advances	1
		1992-11-02

INTRODUCTION

NHA insured mortgage loans are disbursed in one of two ways:

- in progress advances, as work proceeds; or
- in a single advance, subject to the conditions of approval.

The borrower and the Approved Lender select the method based on the cash flow requirement and other considerations, subject to CMHC approval. The method selected affects the amount of the mortgage loan insurance premium required. Advances are insured only when disbursed on the authorization of Canada Mortgage and Housing Corporation (CMHC).

PROGRESS ADVANCES

CMHC authorizes advances on the basis of work in place. Advances are calculated in order that sufficient funds are retained to ensure that all work, including seasonal work, is completed.

SINGLE ADVANCE

This type of loan is insured in a single instalment after completion, but only if:

- in the case of ownership, the house has then been sold to an acceptable purchaser; or
- in the case of a builder's loan, one advance is made (85% level) at completion plus one additional advance upon sale to a satisfactory purchaser. The premium would be the single advance premium.

CMHC MORTGAGE LOAN INSURANCE

Section POST-APPROVAL PROCESSES	Subject Advances	Page 2 1992-11-02
---	-------------------------	-----------------------------

REPORTING ACTUAL
DISBURSEMENTS

Using Notice - Loan Advance and Premium Payment Form CMHC 990 (see illustration on page 3), the Approved Lender reports to CMHC:

- the actual amount being advanced including any holdbacks (at the Approved Lender's discretion); and
- the total amount advanced to date.

Form CMHC 990 also serves as a transmittal slip for the remittance of the mortgage loan insurance premium to CMHC, unless such premium was remitted in advance.

CMHC MORTGAGE LOAN INSURANCE

Section POST-APPROVAL PROCESSES	Subject Advances	Page 3
		1997-05-29



NOTICE - LOAN ADVANCE AND PREMIUM PAYMENT
AVIS - AVANCE AU COMPTE DU PRÊT ET PAIEMENT DE LA PRIME

Protected when completed
Protégé une fois rempli

App Lender's ref no / N° de ref du prêteur agréé	CMHC account no / N° de compte SCHL	Notification no / N° de l'avis <input type="checkbox"/> If final notification / Si avis final
Approved Lender's name and address / Nom et adresse du prêteur agréé		TYPE OF NOTIFICATION / OBJET DE L'AVIS <input type="checkbox"/> Premium payment, no mortgage advance / Paiement de la prime, aucune avance <input type="checkbox"/> Premium payment with mortgage advance / Paiement de la prime et avance <input type="checkbox"/> Mortgage advance no premium payment / Avance aucun paiement de prime
Approved Lender Transit Identification no / N° de domiciliation du prêteur agréé		
Language preference / Langue préférée <input type="checkbox"/> E English / Anglais <input type="checkbox"/> F French / Français	Borrower's name / Nom de l'emprunteur	
CMHC Branch / Succursale SCHL		Municipality of property / Municipalité de la propriété

SECTION 1 - NOTIFICATION OF MORTGAGE LOAN ADVANCE
AVIS D'AVANCE AU COMPTE DU PRÊT HYPOTHÉCAIRE

Amount now to be disbursed to borrower / Somme à verser actuellement à l'emprunteur	\$ <input type="text"/>
---	-------------------------

SECTION 2 - NOTIFICATION OF MORTGAGE LOAN INSURANCE PREMIUM PAYMENT
AVIS DE PAIEMENT DE LA PRIME D'ASSURANCE HYPOTHÉCAIRE

A. Insurance premium remitted with this notification / Prime d'assurance versée avec le présent avis		
<input type="checkbox"/> Charged to mortgage account / Ajoutée au compte hypothécaire		\$ _____
<input type="checkbox"/> Not charged to mortgage account / Non ajoutée au compte hypothécaire		\$ _____
TOTAL		\$ _____ (A)
B. Quebec Provincial Sales Tax (9% of premium remitted) / Taxe de vente du Québec (9% de la prime payée)		\$ _____ (B)
C. Total amount remitted to CMHC with this notification (item A plus item B) / Somme totale versée à la SCHL avec le présent avis (A plus B)		\$ _____ (C)

TO CONFIRM AT FINAL ADVANCE STAGE / À CERTIFIER AU STADE DE L'AVANCE FINALE

Interest rate / Taux d'intérêt	Effective date / Date d'entrée en vigueur	Term / Terme	Amortization period / Période d'amortissement
<input type="text"/> %	YY AA MM DD / JJ	YY AA MM	YY AA
Approved Lender's signature / Signature du prêteur agréé		Date	

FOR CMHC USE ONLY / RÉSERVÉ À LA SCHL

Amount of mortgage loan insurance premium received / Montant de la prime d'assurance hypothécaire reçu	\$ <input type="text"/>
Amount of Quebec Provincial Sales Tax received / Montant de la taxe de vente du Québec reçu	\$ <input type="text"/>
Date entered to Input General Ledger (IGL) / Report au système d'entrée directe (SED)	YY AA MM DD / JJ
Verified by / Vérifié par	

CMHC/SCHL 990 4/93 CMH PPU 015

Canada Mortgage and Housing Corporation is subject to the Privacy Act. Individuals have a right of access to CMHC controlled information about themselves. / La Société canadienne d'hypothèques et de logement est assujettie à la Loi sur la protection des renseignements personnels. Tout individu a droit d'accès aux renseignements que détient la SCHL à son sujet.

CMHC LOCAL OFFICE COPY / COPIE DE LA SUCCURSALE DE LA SCHL

CMHC MORTGAGE LOAN INSURANCE

Section POST-APPROVAL PROCESSES	Subject Certificate of Insurance	Page 1
		1992-11-02

INTRODUCTION

Canada Mortgage and Housing Corporation (CMHC) will issue the **Certificate of Insurance** on request of the Approved Lender after all mortgage loan advances have been made and the full premium is paid.

CORRECTING
CERTIFICATE

Where the **Certificate of Insurance** as issued, is found to be incorrect, the Approved Lender may submit a request for correction to the relevant CMHC Branch together with a photocopy of the **Certificate** and of any previously-issued **Endorsement - Certificate of Insurance**, CMHC Form 1314 (see illustration on page 2).

Errors will be corrected by Form CMHC 1314, except where the Approved Lender requests a new **Certificate**. In that event, the Approved Lender is to return the original **Certificate** and any prior endorsements to CMHC for cancellation, and provide a replacing **Request-Certificate of Insurance** or Approved Lender application form.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Certificate of Insurance	2
		1992-11-02

ENDORSEMENT - CERTIFICATE OF INSURANCE
AVENANT - ATTESTATION D'ASSURANCEProtected when completed
Protégé une fois rempli

Lender / Prêteur

CMHC ACCOUNT NUMBER / N° DE COMPTE SCHL

LENDER ACCOUNT NUMBER / N° DE COMPTE PRÊTEUR

BORROWER(S) / EMPRUNTEUR(S)

The Certificate of Insurance with respect to the above CMHC account number is hereby amended to read as follows:

L'attestation d'assurance relative au compte SCHL indiqué ci-dessus est par les présentes modifiée comme suit:

TITLE DEFECTS, if any, (listed hereunder), are acceptable to Canada Mortgage and Housing Corporation.

Les vices de titre, s'il en existe (énumérés ci-dessous), sont jugés acceptables par la Société canadienne d'hypothèques et de logement.

All other Terms and Conditions shall remain unchanged. This Endorsement is to be attached to the Certificate of Insurance.

Toutes les autres conditions doivent demeurer inchangées. L'avenant doit être annexé à l'attestation d'assurance.

CANADA MORTGAGE AND HOUSING CORPORATION
LA SOCIÉTÉ CANADIENNE D'HYPOTHÈQUES ET DE LOGEMENT

Per: Par:	AUTHORIZED REPRESENTATIVE / REPRÉSENTANT AUTORISÉ	DATE
--------------	---	------

CMHC/SCHL 1314 12/90 P-PU-040

CMHC is subject to the Privacy Act. Individuals have a right of access to CMHC controlled information about themselves. / La SCHL est assujettie à la Loi sur la protection des renseignements personnels. Tout individu a droit d'accès aux renseignements que détient la SCHL à son sujet.

APPROVED LENDER BRANCH COPY / COPIE DE LA SUCCURSALE DU PRÊTEUR AGRÉÉ

Canada

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Holdbacks	1
		1997-05-29

INTRODUCTION

There are various types of holdbacks as explained in this Section. These holdbacks may be combined together and released gradually as conditions of sale, etc. are achieved.

CONSTRUCTION
HOLDBACKS

When authorizing progress advances, Canada Mortgage and Housing Corporation (CMHC) ensures that sufficient funds are kept at all times to complete construction of the housing project. This is achieved by maintaining holdbacks, where necessary, for the value of work to be completed, service allowances, and building infractions.

CMHC will consider a net authorized advance to be insured when it is properly disbursed by the Approved Lender, and the appropriate insurance premium is remitted to CMHC.

LIEN HOLDBACK

Where the Approved Lender retains a holdback for mechanic's lien purposes, the amount retained would be deducted from the advance authorized by CMHC.

HOLDBACKS FOR
SERIOUS INFRACTIONS
OF PLANS,
CONSTRUCTION
STANDARDS

Where infractions affecting health and safety or potential financial risk to CMHC are identified, it may be necessary to maintain additional holdbacks from the construction progress advances until the infractions have been corrected to CMHC's satisfaction.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Holdbacks	2
		1997-05-29

HOLDBACKS FOR
SERIOUS INFRACTIONS
OF PLANS,
CONSTRUCTION
STANDARDS (cont'd)

Infractions reported previously which do not appear on subsequent reports may be considered corrected to CMHC's satisfaction, or no longer of concern to CMHC.

BUILDER SALES
HOLDBACK

An Approved Lender will retain 15% of the loan to ensure that the house is sold to a purchaser who:

- is acceptable to the Approved Lender
- meets NHA requirements
- has assumed liability under the mortgage.

SERVICES HOLDBACKS -
WELL AND SEPTIC
TANK

It is the responsibility of the Approved Lender to receive and retain copies of relevant certificates. Examples of these certificates include **well-water** potability and septic tank **acceptability**.

For new construction, where a septic system is required, CMHC may require notification from the local regulatory authority of satisfactory installation of tank and tile bed. In such cases, if the certificate attesting to satisfactory installation has not been received by the time of final advance, the Approved Lender must **consider** a holdback of twice the septic tank allowance and the loan will be closed out in the reduced amount if the certificate is not produced within a reasonable time.

For existing housing, an acceptable certificate attesting to the satisfactory operation may be required as a condition of insurance, if at the time of application, evidence exists that the system is not operating satisfactorily.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Holdbacks	3
		1992-11-02

CONDOMINIUM
REGISTRATION
HOLDBACK

CMHC may limit the loan amount to be advanced prior to condominium registration. Such limitation will be noted on the **Certificate of Insurance** or as a condition of commitment. (for illustration of CMHC 530 see 0402-02).

RENTAL ACHIEVEMENT
HOLDBACK

CMHC may impose a rental achievement holdback until satisfied that the project is generating sufficient rental income to offset debt service charges and operating expenses.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Mortgage Loan Reductions	1
		1997-05-29

INTRODUCTION

There are various conditions under which a loan may be reduced as explained below.

SALE TO UNACCEPTABLE
PURCHASER

Where a sale takes place to an unacceptable purchaser, the Approved Lender must reduce the loan by the amount retained for sale holdback. The rate of the mortgage loan insurance premium is not changed and the agreement with the builder is retained.

UNACCEPTABLE SALE
INCENTIVES

If a builder offers an incentive which has the effect of reducing the purchaser's equity from his own resources to less than the 10% minimum (15% for VRM) prescribed, CMHC will not recommend advancing the 15% holdback.

INABILITY TO SELL

Where the builder has not sold the house six months after the Interest Adjustment Date, the Approved Lender may consider the house unsaleable and close out the loan at the amount advanced.

If total advances do not equal 85% of the loan amount, an additional advance may be made bringing the total to 85%.

If the Approved Lender decides not to close the loan out immediately, CMHC recommends that Approved Lenders keep in close contact with the builder to ensure that the problem is being given full attention and all reasonable efforts are being made to find an acceptable purchaser.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Mortgage Loan Reductions	2
		1992-11-02

PARTIAL RELEASE
OF SALES HOLDBACK

If the house has not been sold three months after the Interest Adjustment Date, the Approved Lender may request authorization to make a further construction progress advance not exceeding 5% of the loan, provided the total of all advances does not exceed the maximum loan which could have been made for the project had it been a rental housing project.

Where the Approved Lender proposes a further advance, CMHC will determine the rental loan amount and issue, for insured instalment loans, an authorization to advance for the appropriate amount available. (For illustration see 0103-02).

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Collection of Interest on Advances	1
		1992-11-02

INTRODUCTION

This Section describes the collection procedure for interest on loan advances.

PAYMENT OF INTEREST

Interest on progress advances becomes due and payable by the Interest Adjustment Date established in the mortgage. However, Approved Lenders are permitted by the terms of the mortgage, to:

- deduct interest on advances from each subsequent advance; or
- collect it on a monthly basis commencing with the first of the month following the making of the advance.

Interest charges must be calculated on the basis of semi-annual compounding, both before and after the IAD.

In all cases, the Approved Lender must act in a normal and prudent manner.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Basic Processing Service - Progress Advance Reviews	1
		1997-05-29

INTRODUCTION

Basic Processing Service is available for new and existing homeowner, rental or investor properties containing up to four units. Basic Processing Service is not available for new condominium projects.

For further information on Basic Processing Service, see 0205-02.

Under the Basic Processing Service, the Approved Lender is responsible for:

- providing CMHC with an acceptable appraisal;
- performing progress advance **reviews**; and
- providing CMHC with progress advance reports for loan advancing purposes.

CMHC will continue to perform whatever monitoring inspections it feels are necessary to ensure that the loan represents an adequate level of risk to the Mortgage Insurance Fund.

Note: For progress advance **reviews** carried out by CMHC, see 0103-02.

PROGRESS ADVANCE
REVIEWS

Progress advance **reviews** may be made by the Approved Lender or by its agent. The progress advance **review** consists of determining the percentage of completion of the building under construction. The percentage of construction is to be determined on the basis of the amount of work in place. Any material on site which has not yet been used in the construction is not to be considered in the completion calculation. The establishment of the degree of completion should **reasonably** conform to the breakdown of the different stages of construction converted into percentages as provided in the Guide to Percentage Completion (see illustration on page 4).

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Basic Processing Service - Progress Advance Reviews	2
		1997-05-29

PROGRESS ADVANCES

Only progress advances approved by CMHC are covered by mortgage loan insurance. The Approved Lenders can obtain approval for progress advances by providing the local CMHC office with the percentage of completion using the Authorization - Loan Advance, Form CMHC 2729 (see illustration on page 5).

Upon receipt of the percentage of completion, CMHC will advise the Approved Lender of the authorized advance using Form CMHC 2729. Payment of the mortgage loan insurance premium, and notification of advances under the mortgage loan, are forwarded by the Approved Lender to the local CMHC office, as described in 0103-03.

CONSTRUCTION
DEFICIENCIES

In cases where construction deficiencies have been identified by CMHC at the time of any monitoring, CMHC may recommend to the Approved Lender the appropriate action to be taken using Form CMHC 2729. Approved Lenders wishing to notify CMHC of any suspected deficiencies visible at the time of a progress advance inspection may use Form CMHC 2729.

REPAIRS/
IMPROVEMENTS TO
EXISTING HOUSES

Before submitting an application to CMHC under the Basic Processing Service, the Approved Lender must review the appraisal. This review must include an analysis of the report to determine if repairs or improvements have been itemized by the appraiser. If, in the Approved Lender's opinion, repairs or improvements are required to adequately protect the loan security, or are at the request of the applicant(s), details of such repairs/improvements are to be included in the application for mortgage loan insurance, as well as the related estimated cost.

The option exists for the loan to be disbursed by a single advance or by progress advances. In either case, the Approved Lender must carry out the related progress advance examinations and provide CMHC with progress advance reports.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST-APPROVAL PROCESSES	Basic Processing Service - Progress Advance Reviews	3
		1997-05-29

REPAIRS/
IMPROVEMENTS TO
EXISTING HOUSES
(cont'd)

In cases where the Approved Lender is exempt from providing an appraisal (property located in a Census Metropolitan Area with a loan to value ratio of 80% or less and a minimum down-payment of \$10,000), the Approved Lender must be satisfied that the property is in good condition and that no major repairs are needed. If in doubt, the Approved Lender should not submit an application for NHA mortgage loan insurance under the Prime Processing Option.

HOLDBACKS

For details on holdbacks, see 0103-05.

CLAIMS

In the event of a claim against the Mortgage Insurance Fund before the construction is 100% complete, CMHC will conduct a progress **review** to ensure that the level of completion reported by the Approved Lender reasonably conforms to the Guide to Percentage Completion. Any discrepancies could result in the reduction of the claim by the amount by which the progress was over-stated and funds were over-advanced.

CMHC MORTGAGE LOAN INSURANCE

Section POST-APPROVAL PROCESSES	Subject Basic Processing Service - Progress Advance Reviews	Page 4
		1997-05-29



PROGRESS ADVANCE REPORT - SINGLE / RAPPORT D'ÉTAPE - MAISON INDIVIDUELLE

Property Address / Adresse de la propriété 	CMHC Account No N° de compte SCHL Date of Report / Date de rapport Was CMHC 15 Completed? A t-on rempli la SCHL 15? <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> YES OUI <input type="checkbox"/> NO NON </div> Were Infractions Noted? Y a-t-il eu des infractions? <div style="display: flex; justify-content: space-between;"> <input type="checkbox"/> YES OUI <input type="checkbox"/> NO NON </div>
--	--

Guide to Percentage Completion of Single Storey, 1 1/2 Storey, Split Level, 2 Storey and Bi Level Houses, Detached or Semi Detached Guide : Degré d'achèvement des maisons individuelles et jumelées à un étage, un étage et demi, à mi étages, à deux étages et à deux paliers NOTE For Units Constructed without Basements NOTE Dans le cas de logements construits sans sous sol Deduct 8% from the "Total Percentage Complete" at the Foundation Stage Déduire 8% du pourcentage total d'achèvement à l'étape de la fondation Deduct 4% from the "Total Percentage Complete" at all Subsequent Progress Advance Examinations, except the Final Déduire 4% du pourcentage total d'achèvement à chacune des étapes d'inspections subséquentes, sauf la dernière	
--	--

	%	Actual / Réel %
Excavation, Foundation Excavation, fondation	9	
Dampproof, Drain, Backfill Classement, drain, remblayage	2	
Frame, Sheathing, Roof Charpente, revêtement mural intermédiaire, toit	20	
Doors, Windows Portes, fenêtres	6	
Rough Electrical Installation électrique primaire	4	
Rough Plumbing Plomberie primaire	3	
Insulation, Air Vapour Barrier Isolation, pare air-vapeur	5	
Basement Floor Plancher de sous sol	2	
Exterior Finish Finition extérieure	12	
Interior Wall / Ceiling Finish Revêtement du plafond et des murs	9	
Heat Equipment Installation de chauffage	3	
Complete Electrical Toute l'installation électrique	1	
Complete Plumbing Toute l'installation de plomberie	4	
Kitchen Cabinets, Vanity Armoires de cuisine et vanité	6	
Finish Carpentry Menuiserie de finition	5	
Interior Painting Peinture intérieure	2	
Flooring Revêtement de plancher	4	
Site Works, Improvements Aménagement extérieur	3	
TOTAL PERCENTAGE COMPLETE POURCENTAGE TOTAL D'ACHÈVEMENT	100	

NOTE: This progress advance report has been prepared solely for Canada Mortgage and Housing Corporation's internal purposes as a guide estimating the level of completion of the above referenced report for loan purposes. This report does not constitute a report of a technical inspection of the subject property to ensure compliance with any building or property standards and is not to be interpreted as such. CMHC does not assume any responsibility for any loss or damage in the present or any future owner of the subject property as a result of the preparation of this report.

NOTE : Ce rapport d'étape ne répond qu'aux besoins de la Société canadienne d'hypothèques et de logement. Il a servi de guide pour estimer le degré d'adéquation de la propriété susmentionnée aux fins avancées sur prêt. Il ne doit donc pas être considéré comme un rapport d'inspection technique de la propriété visant à déterminer si elle répond aux normes touchant les bâtiments ou la propriété. La SCHL ne saurait être tenue responsable de toute perte ou de tout dommage qui pourrait subir le propriétaire actuel ou subséquent par suite de la rédaction de ce rapport.

[illegible]

CMHC/SGHI 2754 R/95

- 1/3 -

Canada's

In cases where "items" are partially completed, the examiner may adjust the % related to such items proportionate to the actual completion level of these items. As an example, if "Exterior Finish" was 50% completed, 6% could be added to the Total Percentage Complete for advancing purposes. If the same item was almost completed, 10% would be a reasonable percentage to be added to the total.

CMHC MORTGAGE LOAN INSURANCE

Section

POST-APPROVAL
PROCESSES

Subject

Basic Processing
Service - Progress
Advance Reviews

Page

5

1997-05-29

CMHC SCHL
Helping to build
house CanadiansQuestions habitation,
comptez sur nousPrepared when completed
Préparez une fois rempliAPPROVED LENDER (NAME, ADDRESS AND POSTAL CODE)
PRÉTEUR AGRIÉ (NOM, ADRESSE ET CODE POSTAL)AUTHORIZATION - LOAN ADVANCE
AUTORISATION - AVANCE AU COMPTE DU PRÊT

Language of preference Langue préférée	<input type="checkbox"/> Eng <input type="checkbox"/> Fr	CMHC OFFICE BUREAU SCHL
CMHC ACCOUNT NO N° DE COMPTE SCHL	APPROVED LENDER'S REFERENCE NO N° DE REF. DU PRÉTEUR AGRIÉ	
TRANSIT NUMBER N° DE TRANSIT	AUTHORIZATION NO N° DE L'AUTORISATION	

BORROWER'S IDENTIFICATION & ADDRESS
IDENTIFICATION ET ADRESSE DE L'EMPRUNTEURPROPERTY ADDRESS
ADRESSE DE LA PROPRIÉTÉPART 1 REQUEST - AUTHORIZATION LOAN ADVANCE (For completion by Approved Lender with Basic Processing Service Applications)
PARTIE 1 DEMANDE - AUTORISATION AVANCE AU COMPTE DU PRÊT (À être rempli par le prêteur agréé avec Service de traitement de base)

DATE OF PROGRESS EXAMINATION DATE DE L'EXAMEN DE PROGRESSION DES TRAVAUX	YYAA MM DD-JJ	PERCENTAGE OF WORK COMPLETED POURCENTAGE DE PARACHEVEMENT DES TRAVAUX	_____ %
COMMENTS / COMMENTAIRES			
<p>APPROVED LENDER CERTIFICATION</p> <p>We certify that we have completed a progress examination of the property identification above. Our examination indicates the above stated percentage of work completed. We hereby request authorization to make a progress advance based upon the above percentage of work completed.</p> <p>ATTESTATION DU PRÉTEUR AGRIÉ</p> <p>Nous certifions que nous avons procédé à un examen de la progression des travaux sur la propriété mentionnée ci-haut. Notre examen nous a indiqué le pourcentage de parachevement qui apparaît à la rubrique pourcentage de parachevement des travaux. Par la présente, nous demandons l'autorisation d'octroyer une avance de progression du prêt sur la base du pourcentage de parachevement mentionné ci-dessus.</p>			
SIGNATURE (APPROVED LENDER BY ITS AUTHORIZED OFFICER) / PRÉSENTANT AUTORISÉ DU PRÉTEUR AGRIÉ		DATE	

PART 2 APPROVAL - LOAN ADVANCE (For completion by CMHC)
PARTIE 2 APPROBATION - AVANCE AU COMPTE DU PRÊT (À être rempli par la SCHL)

CUMULATIVE PREVIOUS PROGRESS ADVANCES APPROVED BY CMHC AVANCES PROGRESSIVES CUMULATIVES APPROUVÉES ANTERIEUREMENT PAR LA SCHL	\$ _____
NET PROGRESS ADVANCE APPROVED BY THIS AUTHORIZATION AVANCE PROGRESSIVE NETTE APPROUVÉE PAR CETTE AUTORISATION	\$ _____
TOTAL PROGRESS ADVANCES APPROVED TO DATE (Including Mortgage Loan Insurance Premium) TOTAL DES AVANCES PROGRESSIVES APPROUVÉES JUSQU'À AUJOURD'HUI (À l'exclusion de la prime d'assurance)	\$ _____
<p>NOTE: Part 2 of this Authorization - Loan Advance has been completed solely for the purpose of providing an approval to the above named Approved Lender to make a loan advance. It does not constitute a report of a technical inspection of the subject property to ensure compliance with NHA standards and is not to be interpreted as such. CMHC does not assume any responsibility to the present or any subsequent owner of the subject property as a result of the completion of this Authorization - Loan Advance.</p> <p>NOTE: La Partie 2 de cette Autorisation - Avance au compte du prêt a été complétée par la SCHL dans le seul but de fournir au prêteur agréé mentionné ci-haut l'approbation d'octroyer une avance au compte du prêt hypothécaire. Elle ne constitue nullement un rapport d'inspection technique qui garantit que la propriété soumise est conforme aux normes de conformité de la LNA et elle ne doit pas être interprétée comme tel. La SCHL n'assume aucune responsabilité qui pourrait résulter de cette Autorisation - Avance au compte du prêt envers le propriétaire actuel ou tout propriétaire subséquent.</p>	
COMMENTS / COMMENTAIRES	
PREPARED BY / PRÉPARÉ PAR	SIGNATURE (MANAGER / DIRECTEUR)
DATE	

CMHC / SCHL 2729 2/93 P PU-015

CMHC is subject to the Access to Information and Privacy Act / La SCHL est soumise à la Loi sur l'accès à l'information et à la Loi sur la protection des renseignements personnels

CMHC COPY - RETURN TO APPROVED LENDER WHEN LOAN ADVANCE APPROVED
COPIE SCHL - À RETOURNER AU PRÉTEUR AGRIÉ LORSQUE L'AVANCE EST APPROUVÉE

Canada

CMHC MORTGAGE LOAN INSURANCE

Section APPLICATION DOCUMENTS	Subject Requirements	Page 1
		1996-07-05

INTRODUCTION

The matrix below illustrates the documentation requirements for applications for homeowner mortgage loan insurance.

(For rental loan application requirements, please refer to 0503-03)

Applications and other relevant loan documents (appraisal and inspection reports, CMHC forms 990 and 2729, etc.) may be submitted by:

- regular mail or courier service
- phone (for telephone approvals, please refer to Section 0501-03)
- fax (please note that original documents are not required to be submitted if previously submitted by fax).

DOCUMENT	EXISTING		EXISTING WITH IMPROVEMENTS	
	Basic	Full	Basic	Full
Application	X	X	X	X
Photo of Property	X	X	X	X
Real estate listing /Property Details	X	X	X	X
Signed Offer to Purchase	X	X	X	X
Appraisal	X		X	
Fee (see Note 1)	\$75	\$235	\$75	\$235
List of Improvements and Cost Estimates			X	X

Note 1: The Approved Lender may pay the underwriting fee at the time of the first loan advance.

CMHC MORTGAGE LOAN INSURANCE

Section APPLICATION DOCUMENTS	Subject Requirements	Page 2 1996-07-05
----------------------------------	-------------------------	-------------------------

INTRODUCTION
(cont'd)

	CONSTRUCTION OF NEW UNIT		PURCHASE OF NEW UNIT	
DOCUMENT	Basic	Full	Basic	Full
Application	X	X	X	X
Photo of Property	if available		if available	
Real estate listing /Property Details	include with set of plans		X	X
Appraisal	X		X	
Fee (see Note 1)	\$75	\$235	\$75	\$235
NHWP Registration (Please see Note 2)	X	X	X	X
Complete Plans	X	X	X	X

N.B.: Builders frequently obtain CMHC mortgage loan insurance to build houses for sale. For this product, application documents and fees described above in "Construction of New Unit" apply.

Note 1: The Approved Lender may pay the underwriting fee at the time of the first loan advance.

Note 2: A New Home Warranty Plan Registration Number is not required for owner-builder applications. Please refer to 0402-03 for the owner-builder definition.

CMHC MORTGAGE LOAN INSURANCE

Section APPLICATION DOCUMENTS	Subject Requirements	Page 3
		1996-07-05

INTRODUCTION
(cont'd)

DOCUMENT	REFINANCE		REFINANCE WITH IMPROVEMENTS	
	Basic	Full	Basic	Full
Application	X	X	X	X
Fee (see Note 1)	\$75	\$235	\$75	\$235
Payout Statements	X	X	X	X
Appraisal	X		X	
Property Details		X		X
Floor Plans				X
Improvement List			X	X
Cost Estimates			X	X
Set of Plans if Major Improvements			X	X

Note 1: The Approved Lender may pay the underwriting fee at the time of the first loan advance.

CMHC MORTGAGE LOAN INSURANCE

Section APPLICATION DOCUMENTS	Subject Requirements	Page 4
		1996-07-05

INTRODUCTION
(cont'd)

	CHATTEL UNIT (MOBILE HOME)	
DOCUMENT	Basic	Full
Application	N/A	X
Bill of Sale	N/A	X
Manufacturer's Invoice (if avail.)	N/A	X
Details of Unit & Floor Plan	N/A	X
Cost Statement Including Extras	N/A	X
Manufacturer's Warranty	N/A	X
Site Lease	N/A	X
Fee (see Note 1)	N/A	\$235

Note 1: The Approved Lender may pay the underwriting fee at the time of the first loan advance.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PREMIUMS AND FEES - GENERAL	Chapter Overview	1
		1992-11-02

INTRODUCTION

This Chapter describes the policies regarding mortgage loan insurance premiums and underwriting fees.

INSURANCE PREMIUMS

The cost of insuring a mortgage loan is called a mortgage loan insurance premium. Insurance continues in force provided the loan continues to be administered by an Approved Lender in accordance with CMHC's policies and procedures.

(0202-01)

INSURANCE PREMIUM
SCHEDULES

The insurance premium is based on usage of the property. Rates for homeownership, rental properties and social housing are explained.

(0203-01)

UNDERWRITING FEES

An underwriting fee is payable to CMHC by the Approved Lender and is used to offset CMHC's expenses in processing mortgage loan applications. This Section also includes information on the refinancing of NHA insured mortgage loans and refunds of underwriting fees.

(0204-01)

UNDERWRITING FEE
SCHEDULES

The underwriting fee is based on the types of units being insured. Various schedules are provided.

(0205-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUMS	Overview	1
		1997-01-10

INTRODUCTION

The mortgage loan insurance premium represents the total price of insuring a mortgage loan provided it remains in force and is administered by an Approved Lender.

GENERAL

Premiums are payable to CMHC in advance or upon disbursement of funds. Premiums are remitted to CMHC with the Notice - Loan Advance and Premium Payment, Form CMHC 990.

(0202-02)

PREMIUM EXEMPTIONS

Premiums are not charged on loans which are guaranteed by the Government of Canada or a province, or made to a province or a public housing agency or under special social housing agreements.

(0202-03)

PREMIUM REFUNDS/
ADJUSTMENTS/
TRANSFERS

Premiums may be refunded only if advances are being withheld by the Approved Lender for sound underwriting reasons, acceptable to CMHC.

Premiums may be reduced if the disbursement does not take place or does so only in part. Premiums may be increased if the loan amount is increased.

At any time during the amortization period of an insured loan approved on or after April 1, 1996, and subject to certain conditions, (see Section II 0304-07), the borrower may transfer, or "port", the outstanding balance of the insured loan to a subsequent property.

(0202-04)

PROVINCIAL SALES
TAX

Some provinces apply a provincial or retail sales tax to all insurance premiums, including NHA mortgage loan insurance premiums. The underwriting fee charged by CMHC is not subject to provincial sales tax.

(0202-05)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUMS	General	1
		1992-11-02

INTRODUCTION

The mortgage loan insurance premium is a one-time charge paid when the insurance coverage goes into force or, in some cases, in advance. The premium is the total price of insuring a mortgage loan. For premium schedules see 0203-01.

Before making any insured advances, the Approved Lender must ensure that:

- reasonable care has been taken in approving the loan; and
- adequate security is in place.

For homeownership investor and rental mortgage loans, the amount of the premium and any surcharge may be added to the mortgage amount.

WHEN PREMIUM
PAYABLE

For mortgage loans with progress advances, CMHC authorizes advances as construction proceeds. The premium (including any surcharges) applicable to each advance, is paid to CMHC when the advance is disbursed to the borrower.

For all single advance loans, the total premium is remitted to CMHC when the funds are disbursed to the borrower. CMHC authorizes the total loan for advance:

- upon completion and when the unit is sold; or
- in the case of a rental loan, when the appropriate terms and conditions of the commitment have been satisfied.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page: 2
INSURANCE PREMIUMS	General	
		1992-11-02

PREMIUM PAYMENT
OPTION

The total mortgage loan insurance premium may be paid before disbursing the mortgage funds. Such prepayment is usually made at the time of the **Request - Certificate of Insurance, Form CMHC 530** or an acceptable Approved Lender's application form.

PREMIUM
REMITTED

Mortgage loan insurance premiums, except when prepaid, are remitted to CMHC with the Notice - Loan Advance and Premium Payment, Form CMHC 990 (for illustration see 0103-03).

MAXIMUM PREMIUM

Regulations dictate the premium (including surcharges), which can be charged on any NHA insured loan. Any mortgage loan insurance proposal with a cumulative premium exceeding the prescribed maximum is not permitted.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUMS	Premium Exemptions	1
		1992-11-02

INTRODUCTION

There are no mortgage loan insurance premiums chargeable for the loans described below.

PUBLICLY
GUARANTEED LOAN

No premium is chargeable for an NHA insured loan which is guaranteed by the Government of Canada under any other Act, e.g. a loan on an Indian Reserve.

LOAN TO A PROVINCE
OR PUBLIC HOUSING
AGENCY OR UNDER
FEDERAL-PROVINCIAL
AGREEMENTS

No premium is chargeable on a loan made to a province or a public housing agency or under Federal-Provincial agreements or on loans guaranteed by the Federal Government or a Province.

REFINANCING AN
NHA INSURED LOAN

No premium is chargeable when an Approved Lender makes a loan to a borrower for the sole purpose of paying off the outstanding balance of his/her NHA insured loan. This applies provided:

- the loan is not discharged in order to capitalize any arrears or increase the loan amount because of arrears or interest thereon
- the new insurable loan will be amortized according to the original conditions of the insurance.

CMHC MORTGAGE LOAN INSURANCE

Section INSURANCE PREMIUMS	Subject Premium Refunds/ Adjustments/ Transfers	Page 1 1997-01-10
-------------------------------	--	-----------------------------

INTRODUCTION

A change to the mortgage loan amount may result in a refund or adjustment to the mortgage loan insurance premium.

LOAN REPAYMENT

For homeowner mortgage loans the insurance premium is normally sent to CMHC when the funds are advanced to the borrower. If the borrower subsequently repays the loan, in full or in part, the premium is not adjusted. The premium is based on the gross loan amount advanced and is fully earned at the time of the advance.

UNDISBURSED
ADVANCES

For all other lines of business, the premium is usually remitted to CMHC at the same time as the Approved Lender releases the funds. If the anticipated disbursement does not occur or does so only in part, the Approved Lender may request, in writing, an adjustment to the overpaid premium.

LOAN INCREASE

The premium rate in effect at the time of a loan increase is to be used to determine the amount of premium payable, based on the revised loan amount. If a premium has already been paid, any additional premium required will be determined by CMHC.

If there is a reduction in the applicable premium rate, stemming from a reduction in the loan to value ratio, CMHC may recalculate the premium required and issue a refund.

When a loan is increased, the insurance premium is to be recalculated and the difference remitted to CMHC at the time of the next advance.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUMS	Premium Refunds/ Adjustments/ Transfers	2
		1997-01-10

LOAN DECREASE
(cont'd)

Where a loan has been decreased, and provided the Approved Lender has not released all the advances, an adjustment to the premium may be made upon receipt of a written request from the Approved Lender within 30 days of the decrease.

FULL INSURANCE
PREMIUM TRANSFER
WITHIN SIX MONTHS
FROM THE CLOSING DAY

Where an eligible borrower requires a new CMHC insured loan within six months from the closing day of the original CMHC insured loan, the full amount of the mortgage insurance premium may be applied against the premium due on the new loan, subject to the criteria described in Section II 0304-07.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUMS	Provincial Sales Tax	1
		1993-09-29

INTRODUCTION

Some provinces (Ontario and Québec presently) apply a provincial or retail sales tax on mortgage loan insurance premiums.

LIABILITY FOR TAX

CMHC informs Approved Lenders of tax liability and collection requirements on a province by province basis. The Approved Lender must pay the tax applicable for an NHA insured loan that is subject to a mortgage loan insurance premium, where required by a provincial government. Property location determines liability for the tax.

PAYMENT AND
REMITTANCE OF TAX

The tax is payable by the Approved Lender each time a single or progress advance triggers the payment of an insurance premium to CMHC. The amount of tax collected must be remitted to CMHC at the same time and form part of the cheque in payment of the mortgage loan insurance premium. CMHC collects and then remits this tax to the provincial government.

The Approved Lender may, by agreement or other arrangement, charge the tax to the borrower but it cannot be added to the amount of the insured loan.

The underwriting fee charged by CMHC is not subject to provincial sales tax.

When completing the Notice - Loan Advance, Form CMHC 990 (for illustration see 0103-03), the Approved Lender must indicate the total tax remitted to CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUMS	Provincial Sales Tax	2
		1993-09-29

LOAN INCREASE/
DECREASE

If there is a loan increase, the tax must be paid on the amount of the additional insurance premium that results.

If the loan amount is reduced, CMHC will reimburse the Approved Lender.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUM SCHEDULES	Overview	1
		1992-11-02

INTRODUCTION

The mortgage loan insurance premium is based on the proposed use of the property as indicated on the **Request - Certificate of Insurance or acceptable Approved Lender's application form**. If indicated use changes, a higher premium may be charged, e.g. if a homeowner unit is converted to a rental unit, the use of the property has been changed and a higher premium may be charged. However, in no instance will the premium be lowered as a result of a change in intended use.

HOMEOWNERSHIP RATES

The amount of the mortgage loan insurance premium depends on whether there is a single advance or more than one advance. The amount of the surcharge depends upon the type of surcharge, i.e. a non-residential surcharge or a variable rate mortgage surcharge.

(0203-02)

TWO TO FOUR
UNIT RATES

The amount of the mortgage loan insurance premium for buildings containing between **2 and 4 units**, one of which is occupied by the owner, is the same as the rate for **single homeownership loans**.

(0203-03)

RENTAL RATES

The amount of the mortgage loan insurance premium for rental units depends on whether the unit is new or existing, and if new, whether the loan was made by a single advance or more than one advance. A non-residential surcharge is applied on that portion of the insured mortgage loan attributable to the non-residential component of the project.

(0203-04)

CMHC MORTGAGE LOAN INSURANCE

Section INSURANCE PREMIUM SCHEDULES	Subject Overview	Page 2 1992-11-02
---	-------------------------	--------------------------

EXEMPTIONS

There are no mortgage loan insurance premiums charged on a loan made to a province, or a public housing agency, or under Federal-Provincial agreements, or on loans guaranteed by the Federal, Provincial or Territorial Governments.

(0203-05)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUM SCHEDULES	Homeownership Rates	1
		1998-09-11

INTRODUCTION

The mortgage loan insurance premium rate schedule for new and existing home ownership units is shown below. **(Premium is expressed as a % of the loan amount.)**

BASIC PREMIUMS

<u>LOAN TO VALUE RATIO</u> <u>(Up to and including)</u>	<u>SINGLE</u> <u>ADVANCE</u>	<u>MORE THAN</u> <u>ONE ADVANCE</u>
65%	0.50%	1.00%
75%	0.75%	1.25%
80%	1.25%	1.75%
85%	2.00%	2.50%
90%	2.50%	3.00%
95%	3.75%	4.25%

SURCHARGES

There are two types of surcharges:

- a non-residential surcharge; and
- a variable rate mortgage surcharge.

A non-residential surcharge is applied only on that portion of the loan attributable to a non-residential component of a project. This surcharge may be added to the insured mortgage loan.

A variable rate mortgage surcharge is applied on the total amount of the insured mortgage loan. This surcharge may be added to the insured mortgage loan.

The amount of the surcharge depends on the type it is, as follows:

<u>TYPE OF SURCHARGE</u>	<u>AMOUNT OF SURCHARGE</u>
Non-Residential	+1.00% of non-residential portion of loan
Variable Rate	+0.25% of total loan

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUM SCHEDULES	Homeownership Rates	2
		1992-11-02

CALCULATION OF
PREMIUM FOR
CONDOMINIUM

To calculate the mortgage loan insurance premium for a condominium project with advances, follow the example below.

Number of Units = 20

Market Value
(\$50,000/unit) = \$1,000,000

Loan Approved
(90% of \$1,000,000) = \$ 900,000

Homeownership Premium
(\$900,000 x 3%) = \$ 27,000
(\$1,350/unit)

Where the loan to value ratio is less than 90%, the premium is calculated in accordance with the homeownership schedule.

Where a single advance is made at completion the premium charged is 2.5%.

Note: Current CMHC policy requires a 0.5% surcharge to the mortgage loan insurance premium when the applicant requires more than one advance.

For speculative and presold loans, where a first advance is made to the builder (after substantial completion of the unit) and the second advance is made in the name of the purchaser, the premium surcharge is not applicable.

Note: The premium applicable to each advance is due and payable as the funds are disbursed or within 30 days of CMHC's authorization to advance the funds, whichever occurs first. In cases of completion loans, the premium is due and payable when the funds are disbursed.

CMHC MORTGAGE LOAN INSURANCE

Section INSURANCE PREMIUM SCHEDULES	Subject Two to Four Units Rates	Page 1 1992-11-02
---	------------------------------------	--------------------------

INTRODUCTION

The mortgage loan insurance premium rate for new and existing buildings containing 2 to 4 units, one of which is occupied by the owner, is identical to that for comparable homeownership loans (see 0203-02).

The mortgage loan insurance premium may be added to the mortgage loan.

CMHC MORTGAGE LOAN INSURANCE

Section INSURANCE PREMIUM SCHEDULES	Subject Rental Rates - New and Existing	Page 1
		1996-07-04

INTRODUCTION

The mortgage loan insurance premium rate schedule for new and existing rental units is shown below.

BASIC PREMIUMS

RATIO OF LOAN (EXCLUDING FEES AND PREMIUMS) TO MARKET VALUE	NEW CONSTRUCTION		EXISTING
	INSTALMENT	COMPLETION	
Up to and including 75%	2.50	2.00	1.50
Up to and including 80%	3.00	2.50	2.00
Up to and including 85%	5.50	5.00	3.00

Note: Where existing rental projects with repair or renovations require the units to be vacated, or when there is a negative impact on the cash flow, the premium will be the same as those for new rental buildings.

NON-RESIDENTIAL
SURCHARGE

A 1% surcharge is applied on the portion of the insured mortgage loan attributable to the non-residential component of the project.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PREMIUM SCHEDULES	Social Housing Rates	1
		1992-11-02

INTRODUCTION

There are no mortgage loan insurance premiums charged on a loan made to a province, a public housing agency, or under Federal-Provincial Agreements or on loans guaranteed by the Federal, Provincial or Territorial Governments.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEES	Overview	1
		1996-07-05

INTRODUCTION

Underwriting fees are levied by CMHC to offset administration costs for processing mortgage loan insurance applications.

Underwriting fees, for rental loans, may be added to the loan.

GENERAL

Depending on the type of loan application involved, the underwriting fees are either payable at the time of application or at the first loan advance.

(0204-02)

REFINANCING

NHA and non-NHA loans are eligible for refinancing.

(0204-03)

REFUNDS

Under certain conditions, refunds may be made, depending on the type of loan application and the timing of the request to CMHC.

(0204-04)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEES	General	1
		1996-07-05

INTRODUCTION

The Underwriting fee is remitted to CMHC by the Approved Lender. It offsets the expenses incurred by CMHC to process a request for mortgage loan insurance.

HOW/WHEN PAID

The timing of payment of the underwriting fee is dependent upon the type of loan application request:

Homeowner Loans, New or Existing Properties -
1 to 4 Units

The Approved Lender may pay the underwriting fee at the time of the first loan advance.

There is no underwriting fee due for loans that are either withdrawn, rejected or cancelled prior to advancing.

All Other Business Lines

For all other types of loan application requests, the underwriting fee is payable at the time of loan application.

SUBDIVISION AND
CONDOMINIUM
DISCOUNTS

To encourage increased participation in the new construction market, CMHC's current fee structure, for new construction homeowner units, is amended as follows:

The first unit submitted by an Approved Lender in a subdivision or condominium project is to be processed under the Full Processing Service option. Subsequent units will be treated at the Basic Processing Service Fee (\$75) without the need to supply an appraisal. The subsequent units submitted should be substantially the same and constructed in the same geographic market area as the first unit. Applications should be submitted within a reasonable time frame where the original appraisal is deemed still valid. For details consult your local CMHC office.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEES	Refunds	1
		1996-07-05

INTRODUCTION

Depending on the type of loan, a refund may be warranted where the underwriting fee is prepaid and the loan is subsequently withdrawn, rejected or cancelled. The Approved Lender should advise CMHC in writing of the withdrawal or cancellation.

HOMEOWNERSHIP -
1 TO 4 UNITS

Normally, the underwriting fee is not payable until the first loan advance is made, so the Approved Lender does not incur any costs if the loan is withdrawn, rejected or cancelled.

However, if the underwriting fee has been prepaid, it will be refunded should the loan be withdrawn, rejected or cancelled prior to disbursing the funds.

ALL OTHER
BUSINESS LINES

For multiple unit projects (i.e. rental, condominium, **investor units**), CMHC determines at its sole discretion, an appropriate refund, upon receipt of a request from the Approved Lender.

The amount retained is in proportion to the amount of work undertaken by CMHC staff.

Refunds are considered only if a written request is received within 30 days of issuance of the Certificate of Insurance.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Overview	1
		1996-11-22

INTRODUCTION

This Section provides the amounts of underwriting fees applicable, based on the types of units that are being insured.

HOMEOWNERSHIP

This subject defines the three types of processing services available for NHA mortgage loan insurance, specifically the Prime Plus, the Full and the Basic Processing Services. The Prime Plus Processing Service is restricted to a single new or existing owner-occupied self-contained home. Full Processing Service is available for all applications for NHA mortgage loan insurance. Basic Processing Service is available for applications involving up to **four units**. The applicable fees and charges are provided.

(0205-02)

CONDOMINIUM

Prime Plus Processing Service is available for a single existing condominium unit. Full and Basic Processing Services are available for applications involving existing properties containing up to three units. Full Processing Service applies to all other applications involving condominium properties, including conversions. Applicable fees are provided.

(0205-03)

RENTALS

Both the Basic and Full Processing Services are available for applications involving up to **four** units. Full Processing Service is available for applications involving **five** or more units. Applicable fees are provided for rental **applications** including hostels and nursing homes.

(0205-04)

NON-RESIDENTIAL
AND/OR COMMERCIAL
FACILITIES

This subject provides the underwriting fees for residences that may also include non-residential or commercial facilities.

(0205-05)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Overview	2
		1992-11-02

DEFICIENCY SALES

This subject provides the underwriting fees for properties sold by CMHC or the Approved Lender under the NHA deficiency claim settlement provision.

(0205-06)

REFINANCING

This subject provides information on the underwriting fees relating to the refinancing of NHA and non-NHA loans.

(0205-07)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Homeownership	1
		1997-03-20

INTRODUCTION

The three types of processing services available - Basic, Full and Prime Plus - are detailed in this section. A summary of the fees appears on page 4.

BASIC PROCESSING
SERVICE

The fee for the Basic Processing Service is \$75.00 per application. An appraisal acceptable to CMHC is to be provided to CMHC with the usual documentation (i.e. Offer to Purchase, real estate listing, and/or photograph of property, plans). For more details, see the CMHC Appraisal Designation Policy document in Chapter 99 of this Handbook.

The Approved Lender is also responsible for providing progress advance examinations.

Before any advances are released by the Approved Lender, written authorization from CMHC must be obtained using Authorization - Loan Advance, Form CMHC 2729 (for illustration see 0103-08).

Basic Processing Service applies to new and existing owner-occupied, rental and investor properties containing up to four units.

Eligible types of housing include:

- detached units;
- semi-detached units;
- duplexes, triplexes, and four-unit buildings; and
- single units in freehold apartment, and row housing projects.

Note: Only mortgage loan insurance application for existing condominium units can be processed under the Basic Processing Service.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Homeownership	2
		1996-07-05

PRIME PLUS
PROCESSING SERVICE

The Prime Plus Processing Service replaces the Prime Program. The fee for this service is \$75.00, and the Approved Lender is exempt from providing a property appraisal. With this type of loan processing service, the Approved Lender is assured of CMHC mortgage loan insurance approval of an individual application providing the following criteria have been met.

TYPES OF HOUSING:

- 1) single new or existing owner-occupied self-contained home of the following types:
 - detached;
 - semi-detached; and
 - manufactured and floating homes that meet the Chattel Loan Insurance Program criteria.
- 2) single existing owner-occupied self-contained home of the following types:
 - individual unit in a freehold apartment or row housing project; and
 - condominium unit.

LOAN CHARACTERISTICS:

- the loan-to-sale price ratio is 80% or less;
- the borrower's equity is \$10,000.00 or more;
- the loans with a single advance only are eligible;
- the loans submitted under this program are required to meet all other CMHC underwriting criteria; and
- the complete application package must be received within ten working days.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Homeownership	3
		1995-06-16

PRIME PLUS
PROCESSING
SERVICE
(Cont'd)

CMHC Branch Managers will review the quality of applications submitted under Prime Plus. If a post approval review of the application reveals inconsistencies with the program criteria, the CMHC mortgage loan insurance commitment will be honoured for that particular application. However, CMHC will discuss the inconsistencies with the Approved Lender Branch, and if these issues are not corrected in future applications, authorization for Prime Plus may be withdrawn from that specific Approved Lender Branch.

FULL PROCESSING
SERVICE

Full Processing Service applies to all NHA mortgage (and chattel) loan insurance products. The fee for this service is \$235.00 per application. The Approved Lender is not required to submit an appraisal or perform progress advance examinations.

FEE APPRAISAL

Approved Lenders are encouraged to submit fee appraisal reports as part of applications processed under Full Processing Service as well as Basic Processing Service for NHA mortgage loan insurance on all types of homeownership properties. In many cases, Approved Lenders have obtained fee appraisal reports prior to applying to CMHC. Receipt of an acceptable fee appraisal report as part of a Full Processing Service application from Approved Lenders will improve application processing time. The application fee for Full Processing Service applications remains at \$235.00. Please refer to the CMHC Appraisal Designation Policy document in Chapter 99 of this Handbook.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Homeownership	4
		1996-11-22

SUMMARY OF FEES

ONE TO FOUR UNITS HOMEOWNER	OWNER-OCCUPIED UP TO 4 UNITS NEW AND EXISTING
Basic Processing Service	\$75.00 per application (See Note 1 below)
Full Processing Service	\$235.00 per application

ONE UNIT HOMEOWNER	OWNER-OCCUPIED ONE UNIT NEW AND EXISTING
Prime Plus Processing Service	\$75.00 per application

MULTIPLE UNITS - HOMEOWNER

Multiple applications of the same model type, made under the Full Processing Service.	New Only: \$235.00 First Unit \$75.00 Each additional unit Note: No unit maximums apply
---	--

Note: The Approved Lender may provide a single full appraisal for each model type, of the same value, located in the same subdivision.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Condominiums	1
		1992-11-02

INTRODUCTION

Condominium projects are subject to the fees outlined below.

NEW PROJECTS

The Full Processing Service is mandatory for new condominium projects. The fee is \$235.00 per unit.

For Approved Lenders intending to submit more than one application for a specific unit type, the first unit will be processed under the Full Processing Service at \$235.00. Subsequent units will be processed at the Basic Processing Service fee of \$75.00 without having to supply an appraisal. Subsequent units submitted must be substantially the same and constructed in the same geographic area as the first unit. Applications should be submitted within a reasonable time frame, in which the original appraisal is deemed still valid.

INDIVIDUAL UNIT
IN NEW/EXISTING
PROJECTS

Individual units located in condominium projects are treated in the same manner as regular homeownership units. Applications involving single units located in new condominium projects must be processed with the Full Processing Service (See 0205-02).

CONVERSION FROM
RENTAL TO
CONDOMINIUM

An application based on conversion of an entire existing rental project to condominium is subject to a charge of \$150.00 per unit.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Condominiums	2
		1992-11-02

FEE APPRAISAL

Approved Lenders are encouraged to submit fee appraisal reports as part of applications processed under Full Processing Service as well as Basic Processing Service for NHA mortgage loan insurance on all types of condominium properties. In many cases, Approved Lenders have obtained fee appraisal reports prior to applying to CMHC. Receipt of an acceptable fee appraisal report as part of a Full Processing Service application from Approved Lenders will improve application processing time. The application fee for Full Processing Service applications remains at \$235.00. Please refer to the CMHC Appraisal Designation Policy document in Chapter 99 of this Handbook.

CMHC MORTGAGE LOAN INSURANCE

Section UNDERWRITING FEE SCHEDULES	Subject Rentals	Page 1
		1996-11-22

INTRODUCTION

Full and Basic Processing Services are available for applications involving rental or investor projects containing up to **four** units. Full Processing Service is available for applications involving **five** or more units.

NEW/EXISTING UNITS

The following underwriting fees apply to new or existing rental units, including the Co-op ILM program.

UNITS	EXISTING	NEW
<u>1 to 4 Units</u> Full Service: Basic Service:	\$235.00/Appl. \$ 75.00/Appl.	\$235.00/Appl. \$ 75.00/Appl.
<u>Projects up to 50 units:</u> Remainder:	\$125.00/Unit \$ 50.00/Unit	\$150.00/Unit \$ 75.00/Unit
Hostels and Nursing Homes	\$50.00/ Bed	\$50.00/ Bed
Social Housing Projects	\$100.00/Unit or \$ 50.00/Bed	\$100.00/Unit or \$ 50.00/Bed

Note: For nursing homes, hostels or social housing projects, there are no discounts for project size.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Rentals	2
		1992-11-02

FEE APPRAISAL

Approved Lenders are encouraged to submit fee appraisal reports as part of applications processed under Full Processing Service as well as Basic Processing Service for NHA mortgage loan insurance on all types of rental properties. In many cases, Approved Lenders have obtained fee appraisal reports prior to applying to CMHC. Receipt of an acceptable fee appraisal report as part of a Full Processing Service application from Approved Lenders will improve application processing time. The application fee for Full Processing Service applications remains at \$235.00. Please refer to the CMHC Appraisal Designation Policy document in Chapter 99 of this Handbook.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Non-Residential/ Commercial Facilities	1
		1992-11-02

INTRODUCTION

The underwriting fee for non-residential and/or commercial components applies to all lines of business, refinancing of NHA loan balances outstanding, and properties sold by CMHC for the Mortgage Insurance Fund.

CALCULATION

For multiple residential projects containing non-residential and/or commercial components for which financing in an amount equal to or more than \$100,000.00 is requested, the underwriting fee is determined as follows:

- 3/10 of 1 per cent of the loan amount relating to the non-residential component of the project.

The residential portion of the project is subject to the usual underwriting fee.

The fee is remitted to CMHC at the time of application.

SUBMITTING
APPLICATION

When submitting applications for mortgage loan insurance on projects containing non-residential space, the Approved Lender must clearly identify that portion of the loan that applies to the non-residential space.

CMHC MORTGAGE LOAN INSURANCE

Section UNDERWRITING FEE SCHEDULES	Subject Non-Residential/ Commercial Facilities	Page 2 1992-11-02
--	--	-----------------------------

ADDITIONAL
UNDERWRITING
FEE

An additional underwriting fee is charged when the borrower intends to significantly alter the original request related to the non-residential portion of a project.

The level of the fee is dependent upon the extent of the underwriting work carried out by CMHC.

When the borrower intends to alter both the residential and non-residential portions of the project, the additional underwriting fee to be charged for the non-residential portion are proportionate to the charge for the residential portion.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Deficiency Claim Settlement	1
		1992-11-02

DEFICIENCY CLAIM
SETTLEMENT

For properties sold by CMHC or an Approved Lender under the NHA deficiency claim settlement provision, an underwriting fee of \$75.00 per unit or \$50.00 per bed (for hostels or nursing homes) is to be remitted to CMHC, if NHA insurance is requested.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
UNDERWRITING FEE SCHEDULES	Refinancing	1
		1996-11-22

INTRODUCTION

The following describes refinancing of NHA and non-NHA loans.

OUTSTANDING BALANCE
(NHA LOAN)

When refinancing the outstanding balance of an NHA insured loan, the underwriting fee to be remitted to CMHC is as follows:

- 1 to 4 units or beds - \$75.00 per application;
- more than **four** units/beds per application - \$25.00 per unit/bed.

AMOUNT EXCEEDING
OUTSTANDING BALANCE

An NHA insured loan that is refinanced in an amount that exceeds the outstanding balance, is to be treated as a previously uninsured NHA loan and the appropriate application fees remitted accordingly.

NON-NHA LOANS

When refinancing a loan that was not previously NHA insured, an underwriting fee is to be charged, in accordance with the appropriate schedule.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
MORTGAGE CRITERIA - GENERAL	Chapter Overview	1
		1995-12-20

INTRODUCTION

This Chapter details basic principles regarding a mortgage.

POST-APPROVAL
CHANGES

Changes made to an approved mortgage, such as the borrower, Approved Lender, location, etc. require a replacement Certificate of Insurance, to be issued by CMHC. In some instances, a new underwriting fee may be required.

(0301-02)

INTEREST RATES

Fixed or adjustable interest rates are set when the mortgage is negotiated.

(0302-01)

LOAN SECURITY

Security for a mortgage can be in the form of the mortgage itself, or other collateral such as debentures.

(0303-01)

REPAYMENT
ARRANGEMENTS

An NHA insured loan may be repaid in one of two ways: Equal Payment Mortgage (EPM) or Variable Rate Mortgage (VRM). The prescribed NHA mortgage form requires the borrower to make combined monthly payments of principal, interest and taxes (PIT). Provisions exist for borrowers to pay their own taxes.

(0304-01)

INTEREST ADJUSTMENT
DATE

During construction, circumstances can cause an interest adjustment date to be moved. The interest adjustment date must be established not later than two months following completion of construction or occupancy, whichever occurs first. (For complete details, see 0304-09).

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
MORTGAGE CRITERIA - GENERAL	Post-Approval Changes	1
		1992-11-02

INTRODUCTION

This Section describes the procedures and subsequent documentation required when changes are made to a loan after the **Certificate of Insurance** has been issued.

BORROWER

If the borrower, at any time before the loan is fully advanced, wishes to dispose of his/her interest in the property, CMHC issues a replacement **Certificate of Insurance**, on receipt (from the **Approved Lender**) of appropriate documentation on the new borrower. No additional underwriting fee is required.

APPROVED LENDER

An **Approved Lender** may transfer its interests in an insured loan to another **Approved Lender** by written assignment.

If this occurs any time prior to the issuance of the **Certificate of Insurance**, CMHC issues a replacement **Certificate of Insurance**, on receipt (from the new **Approved Lender**) of a copy of the assignment and Request - **Certificate of Insurance**. No additional underwriting fee is required.

LOCATION

CMHC may accept a change in property location after the **Certificate of Insurance** is issued.

If it is a major change requiring CMHC to complete a new site evaluation, a new underwriting fee is required.

If the original request was submitted under the Basic Processing Service option, the **Approved Lender** is to provide a new appraisal.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
MORTGAGE CRITERIA - GENERAL	Post-Approval Changes	2
		1992-11-02

PLANS

Minor changes in plans are acceptable to CMHC provided these changes do not negatively affect the value as established by CMHC.

A major plan change (one that affects value) must be properly documented to CMHC.

A new underwriting fee is required.

LOAN INCREASE

CMHC may insure an increase in an approved loan provided the increase conforms to prudent underwriting practice.

The documentation required and the need for an additional underwriting fee is determined by CMHC on an individual case basis.

LOAN DECREASE

The level of loan CMHC insures may be decreased for reasons such as:

- uncorrected infractions;
- seasonal deficiencies not completed;
- failure to sell to an acceptable purchaser;
- borrower's refusal to complete voluntary or required improvements.

REINSTATEMENT OF
REDUCED/CANCELLED
LOAN

A reduced or cancelled Certificate of Insurance may be reinstated when:

- the condition that led to the reduction/cancellation has been overcome.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INTEREST RATES	Overview	1
		1993-12-13

INTRODUCTION

This Section describes the interest rate policy for NHA insured mortgage loans.

GENERAL

The interest rate must be consistent with general market conditions at the time the mortgage is negotiated. Fixed or adjustable rate options may apply to new or existing houses.

(0302-02)

FIXED RATE OPTION

A fixed rate for a mortgage is agreed to at the time the mortgage is arranged. Sometimes the rate may be changed by the Approved Lender or builder under certain circumstances.

(0302-03)

ADJUSTABLE RATE
OPTION

An Approved Lender and a builder may agree to an adjustable interest rate during construction.

(0302-04)

THREE MONTH INTEREST
RATE

This allows the Approved Lender and borrower to change the interest rate as often as every **three** months even though the minimum term or renewal term is **six months or more**.

(0302-05)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INTEREST RATES	General	1
		1993-12-13

INTRODUCTION

The rate of interest agreed upon between the borrower and the Approved Lender must be acceptable to CMHC.

INTEREST RATE
USED

The competitive nature of mortgage lending usually results in rates for the same term being identical for all lenders or falling within a narrow range. CMHC does not prescribe the interest rate nor an interest range that is acceptable, however the rate of interest submitted must be consistent with general market conditions.

FEES AND CHARGES

The Approved Lender is required to declare, on the Request - Certificate of Insurance or acceptable Approved Lender's application form, all fees and charges imposed on the borrower by, or on behalf of, the Approved Lender (for illustration see 0402-02). If the Approved Lender's application form is used in lieu of Form CMHC 530, the same information, regarding fees and charges, is to be included on the form.

MONITORING EFFECTIVE
RATES CHARGED BY
APPROVED LENDERS

CMHC calculates the Approved Lender's yield, taking into account the stated rate of interest, and all fees and charges levied by the Approved Lender.

INTEREST RATE
OPTIONS

NHA loans for new and existing housing may be committed on a fixed rate or adjustable rate basis.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INTEREST RATES	Fixed Rate Option	1
		1992-11-02

INTRODUCTION

The interest rate is agreed to by the borrower and Approved Lender during loan negotiation.

NOTIFICATION TO
CMHC

The rate is identified as "fixed" and disclosed to CMHC on a **Request - Certificate of Insurance or an acceptable Approved Lender's application form.**

DURATION OF INTEREST
RATE

After the rate has been determined and indicated on Form CMHC 530, **or the Approved Lender's application form**, it represents the maximum rate that can be charged on the mortgage account throughout the disbursement stage of the loan and until the end of the term.

INTEREST RATE
CHANGE

The interest rate can be changed at any time during the term of the loan under either of the following circumstances:

- on request for a rate increase that is subsequently approved by CMHC, or
- if the loan is insured on a Variable Rate Mortgage (VRM) basis.

INTEREST RATE
INCREASE

In periods of rising interest rates, an Approved Lender's fixed rate may become unrealistic in terms of current market rates, if the funds cannot be disbursed as anticipated:

Where such a delay is attributed to the borrower, CMHC will review a request for a rate increase:

- if the new rate is acceptable to CMHC,

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INTEREST RATES	Fixed Rate Option	2
		1993-12-13

INTEREST RATE
INCREASE (Cont'd)

- if ownership, a satisfactory GDS ratio is maintained, or
- if rental, project viability and loan security are not impaired.

BUY-DOWN (OWNERSHIP)
NEW AND EXISTING
HOUSING

CMHC permits buying down the fixed rate of an Equal Payment Mortgage loan to a lower level through payment of a lump sum to the Approved Lender.

Note:

- i) Pre bought-down interest rates must be **consistent with general market conditions.** (see II 0302-02 page 1).
- ii) The post buy-down rate may be used for GDS/TDS purposes if the buy-down extends for at least 3 years. The maximum amount of the interest rate reduction will be:

Pre Bought-Down	Maximum Reduction:
Mortgage Interest Rate:	

Less than 8%	0%
Equal to 8% but less than 11%	1%
Equal to 11% but less than 14%	2%
Equal to 14% or greater	3%

For borrower eligibility purposes, the qualifying GDS/TDS ratio should not reflect a benefit that is greater than the maximum interest rate buy-down permitted by this policy.

BUY-DOWN (RENTAL)
(NEW AND EXISTING
HOUSING)

Borrowers will be permitted to buy, in advance from the Approved Lender, the right to benefit from a reduced rate of interest. The bought-down rate will not, however, be used in calculating the maximum insurable loan amount.

BUY-DOWN/MIF CLAIM
RELATIONSHIP

If default and claim occur during the buy-down period, the buy-down benefit must be reflected in the interest claimed.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INTEREST RATES	Adjustable Rate Option	1
		1993-12-13

INTRODUCTION

The adjustable rate option is designed for loans with extended construction periods or construction/sale periods. An Approved Lender would find it difficult or impossible to maintain a fixed interest rate in these circumstances. The Approved Lender adjusts the interest rate, from time to time, in a manner previously agreed to with the borrower.

The adjustable rate option is available for ownership and rental housing.

APPLICATION

While details of the agreement need not be disclosed to CMHC, the adjustable rate option is conditional upon:

- identification of this option on Request - Certificate of Insurance or the Approved Lender's acceptable application form;
- a rate of interest acceptable to CMHC at that time;
- establishment of a final, fixed rate no later than the Interest Adjustment Date;
- the Approved Lender's assurance that the variable rate will not jeopardize the borrower's financial ability to support the project.

ADJUSTABLE RATE
CEILINGS

For owner-applicant and rental loans, Request - Certificate of Insurance, Form CMHC 530 or the Approved Lender's acceptable application form identifying "adjustable", must also specify a ceiling, above which no upward adjustment will be made.

Note: 1. For owner-applicant loans, the ceiling may be the rate which produces the maximum GDS ratio the Approved Lender will allow.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INTEREST RATES	Adjustable Rate Option	2
		1993-12-13

ADJUSTABLE RATE
CEILINGS
(Cont'd)

Note: 2. For rental loans, the ceiling rate will be a factor in determining project viability and, as applicable, the extent of any negative cash flow to occur after the Interest Adjustment Date.

It is expected that the ceiling rate shown on Form CMHC 530, or the Approved Lender's acceptable application form, corresponds to the mortgage's contractual maximum rate of interest.

SETTING FINAL RATE
AT SALE

For builder loans committed on the adjustable interest rate basis, Form CMHC 530, or the Approved Lender's acceptable application form, submitted as evidence of sale approval must either:

- identify the final rate, if fixed at the point of sale; or
- specify a ceiling rate related to the purchaser's GDS situation; and
- in either event, specify the date the final rate becomes effective.

SETTING FINAL RATE
AT TIME OF DEFAULT

If a claim, arising from a default during the period the adjustable initial stage rate is being charged on advances, is made against the Mortgage Insurance Fund, interest on the mortgage for the purpose of the claim shall be the lesser of:

- the rate in effect at the time the unpaid interest started to accrue; or
- the rate of interest acceptable to CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INTEREST RATES	Adjustable Rate Option	3
		1992-11-02

SETTING FINAL RATE
AT TIME OF DEFAULT
(Cont'd)

In addition, interest after the default will be compounded on the same basis as before the default occurred.

Note: The interest is charged regardless of any agreement to the contrary made between the mortgagor and mortgagee.

CMHC MORTGAGE LOAN INSURANCE

Section INTEREST RATES	Subject Six month Interest Rate	Page 1
		1998-09-11

INTRODUCTION

This section does not apply to 95% Financing, for which the minimum initial loan term is 3 years. See II 9905-01.

The National Housing Loan Regulations stipulate the minimum term eligible for initiation or renewal of loans with NHA mortgage loan insurance is six months. Mortgage products with maturities or renewals of three months may be considered to have terms of six months if they meet the requirements listed below. **These are available for homeownership loans only.**

The following must apply:

- renewal for a period of at least three months must be automatic for all accounts that are current or are later brought current;
- the mortgage must be open to permit the borrower to select a longer term with the same Approved Lender at any time, without penalty;
- borrower eligibility in terms of GDS and TDS must be determined by utilizing the applicable NHA three-year interest rate, if it is greater than the three month rate (maximum 25 year amortization);
- the repayment clause must permit up to a full repayment at the end of three months without penalty;
- the Approved Lender must provide the interest rate at which the borrower was qualified (GDS and TDS) and insert the words "automatic renewal" in the comments section of Form CMHC 530 or on the Approved Lender's acceptable application form; and
- the documentation of the automatic renewal and "open" rights and of the renewal itself are the responsibility of the Approved Lender and are not expected to be reviewed in advance by CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Overview	1
		1992-11-02

INTRODUCTION

This Section describes policy, types of security, and personal covenants when applying for a mortgage.

MORTGAGES

General information on mortgages as a loan security is described.

(0303-02)

NON-MORTGAGE
SECURITY

CMHC may accept security other than a mortgage.

(0303-03)

ADDITIONAL
SECURITY

This subject outlines additional security that may be taken for a loan, i.e. chattels, personal covenants, etc. This subject also deals with the release of covenants.

(0303-04)

RELEASE OF
PERSONAL COVENANTS -
CONDITIONS TO BE MET

Specific conditions must be met prior to the release of personal covenants. The Approved Lender may release the personal covenants of a borrower when specific requirements are met.

In Quebec, the hypothecs must be retained after the personal covenants have been released.

Personal covenants on income-producing properties are to be retained unless their release is specifically authorized by CMHC, following a recommendation from the Approved Lender.

(0303-05)

CMHC MORTGAGE LOAN INSURANCE

Section LOAN SECURITY	Subject Mortgages	Page 1
		1995-12-20

INTRODUCTION

The basic security for all NHA market housing loans is a mortgage. It is to constitute a first charge on title and must take the form as prescribed for use under the NHA.

APPROVED LENDERS'
MORTGAGE DOCUMENTS

Approved Lenders may use their own conventional mortgage documents to secure an NHA insured homeowner loan providing certain mandatory clauses are included, and form part of the agreement between the borrower and the Approved Lender. Refer to Section II 9902-05 for the specific wording of each mandatory clause. Approved Lenders may provide the wording of any mandatory clause if, in the opinion of the Approved Lender, it meets the same objective.

ADHERENCE TO POLICY

The purpose of the loan security policy is to maintain the integrity of **documentation used for NHA mortgage loan insurance purposes**. This is particularly important in mortgage marketing transactions.

The policy is rigidly applied for single family dwelling loans.

For multiple-unit loans, where a variety of special considerations may need to be documented in the mortgage, CMHC considers all reasonable requests for modification of the standard mortgage form.

ACCEPTABLE
VARIATIONS

No changes may be made to the **CMHC 1000 series** mortgage forms, either as additions or deletions, without the specific authorization of CMHC.

Note: The only exceptions are included below.

EXISTING HOUSING
LOANS

The clause identifying the mortgage as a building mortgage may be deleted.

RENTAL HOUSING
LOANS

The prescribed forms give the borrower the privilege of repaying the loan in full on or after the fifth anniversary of the Interest Adjustment Date.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Mortgages	2
		1992-10-29

RESALE CONTROL -
RENTAL (MULTIPLE
UNIT PROJECT AND
SINGLE RENTAL UNITS)

Subsequent purchasers must have the financial capability and management expertise to effectively manage a multiple-unit and/or rental project. To ensure this, the mortgage must include a clause prohibiting sale of the property and mortgage assumption without the prior approval of the mortgagee.

The acceptable wording is:

"The mortgagor covenants and agrees with the mortgagee that in the event of the mortgagor selling, conveying, transferring or entering into an agreement for sale or of transfer of title of the property hereby mortgaged or any part of it to a purchaser or transferee not approved of in writing by the mortgagee, which approval shall not unreasonably be withheld, all monies hereby secured with accrued interest thereon shall forthwith become due and payable at the mortgagee's option and sole discretion."

OPTIONAL RESALE
CONTROL -
OWNERSHIP

At the option of the Approved Lender and borrower, the above-mentioned clause may be included in the mortgage securing an ownership loan.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Mortgages	3
		1999-04-30

RENEWAL TERM
LOANS

A clause may be included stating that, at the option of the Approved Lender, in situations where the borrower is financially unable to support the mortgage payments and default is likely to occur, or as a solution to recover the arrears of principal, interest and taxes:

- the original amortization period may be extended for an additional period not exceeding, in the aggregate, the lesser of 40 years from the Interest Adjustment Date, or the remaining economic life of the building; and
- at such interest rate as determined by the Approved Lender.

Note: For a leasehold loan, the extended amortization period must end at least five years prior to the land lease term.

WAIVER OF MUNICIPAL
TAX PAYMENTS

Insert clause substantially as follows:

"Notwithstanding any proviso or covenant contained elsewhere herein, as a condition of the Mortgagee permitting the Mortgagor to pay the property taxes directly to the local taxing authority, the Mortgagor covenants and agrees to pay the taxes as and when the taxes become due and to submit to the Mortgagee tax receipts evidencing the payment of the said taxes within 30 days after they become due and the Mortgagor further agrees that the Mortgagee may revoke this permission at any time, in which event the Mortgagor covenants and agrees to remit to the Mortgagee with each monthly instalment of principal and interest and in accordance with the tax provisions as herein before set out in the mortgage an amount estimated by the Mortgagee, to be sufficient to repay any then outstanding and future property taxes."

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Mortgages	4
		1992-11-02

CONDOMINIUM
REGISTRATION

To prevent the overfinancing of rental projects disguised as condominiums, the following clauses must be included in the mortgage or mortgages given by the proponent as security for the loan.

"The mortgagor agrees, and it is a condition of the loan secured by this mortgage, that if the mortgagor fails to register the required documentation and take whatever other steps are required to create a condominium corporation (or strata corporation) on the lands hereby secured by the day of 19 all monies owing under this mortgage, including principal and interest, shall immediately become due and payable, provided that if the mortgagor fails to bring a condominium corporation (or strata corporation) into existence by the said date for reasons that are, in the opinion of the mortgagee, beyond the mortgagor's control, the mortgagee may, at its sole discretion extend the said date for such period of time as it deems necessary."

"The mortgagor agrees, and it is a condition of the loan secured by this mortgage, that no sale of individual units will be permitted. Any attempt to sell individual units shall at the sole discretion of the mortgagee be deemed a breach of this mortgage and all monies owing under this mortgage, including principal and interest, shall immediately become due and payable."

MAJOR RENOVATIONS/
IMPROVEMENTS -
RENTAL

When a loan involves major conversion, improvement or renovation work, with or without purchase, failure to complete the work expeditiously can have a serious impact on the occupancy level and income and, consequently, on viability.

CMHC MORTGAGE LOAN INSURANCE

Section LOAN SECURITY	Subject Mortgages	Page 5
		1995-12-20

MAJOR RENOVATIONS/
IMPROVEMENTS -
RENTAL
(Cont'd)

To minimize this risk, a completion date must be agreed to between the proponent and Approved Lender. The completion date must be approved by CMHC and incorporated in the mortgage in a clause which makes non-completion within the specified time a default, causing a reduction of the loan amount to the amount warranted by the state of the building as at the original completion date.

INSURANCE

Approved Lenders must ensure that the interests of the mortgagee are protected by fire insurance and insurance against other standard insurable perils. For a loan made to a Public Housing Agency owned by a provincial government (or agency thereof), the Approved Lender may:

- waive the requirement that the interests of the mortgagee are protected by fire insurance and insurance against other standard insurable perils.

Note: This waiver is subject to the prior approval of CMHC.

Such waivers apply in the case of loans made to Alberta Housing Corporation and Ontario Housing Corporation.

Requests for waivers in other cases should be referred to:

Director,
Insurance Products Division,
CMHC National Office,
700 Montreal Road,
Ottawa, Ontario
K1A 0P7

with a copy going to the Public Housing Agency.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Mortgages	6
		1994-09-12

ENVIRONMENTAL
INVESTIGATION
CLAUSE

CMHC's policy for managing environmental risks requires the Approved Lender, in the event of default, to carry out an environmental site assessment prior to taking legal action. This requirement applies to all loans involving more than six housing units. For loans involving six units or fewer, an environmental site assessment is required only where the Approved Lender is aware of actual or potential environmental problems. To ensure that the Approved Lender will have access to the property to allow compliance with this requirement, the following clause, or wording which in the opinion of the Approved Lender meets the same objective, is to be included at loan initiation in the documentation securing the loan:

"The Mortgagee or agent of the Mortgagee or agent of Canada Mortgage and Housing Corporation (hereinafter called "CMHC") may, at any time, before and after default, and for any purpose deemed necessary by the Mortgagee or CMHC, enter upon the said lands to inspect the lands and buildings thereon. Without in any way limiting the generality of the foregoing, the Mortgagee or CMHC (or their respective agents) may enter upon the said lands to conduct any environmental testing, site assessment, investigation or study deemed necessary by the Mortgagee or CMHC and the reasonable cost of such testing, assessment, investigation or study, as the case may be, with interest at the mortgage rate, shall be payable by the Mortgagor forthwith and shall be a charge upon the said lands. The exercise of any of the powers enumerated in this clause shall not deem the Mortgagee, CMHC or their respective agents to be in possession, management or control of the said lands and buildings."

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Mortgages	7
		1994-09-12

ENVIRONMENTAL
INVESTIGATION
CLAUSE
(Cont'd)

This clause is to be included for all loans, regardless of the number of housing units involved, except for cases, such as condominium loans or leasehold where the borrower does not have the authority to grant access to the "said lands". CMHC will eventually revise the series 1000 standard CMHC mortgage documents to include this clause.

SPECIAL CLAUSES

CMHC may insure a loan conditional upon the Approved Lender imposing specific requirements on the borrower.

The specific requirements may, in turn, require the inclusion of a special clause(s) in the mortgage (for example, prohibiting hotel conversion).

UNACCEPTABLE
VARIATION

Life Insurance

CMHC will not approve a variation to the mortgage securing an NHA insured loan which would:

- require a mortgagor to make payments on life or disability income insurance as an obligation under the mortgage; or
- make the failure to make such payments a default under the mortgage.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Non-Mortgage Security	1
		1992-11-02

INTRODUCTION

In certain circumstances, security other than a mortgage is acceptable to CMHC.

LOAN MADE TO A
PROVINCE

Debenture security is acceptable as an alternative to a mortgage for a loan made to a province, a municipality, or a public agency.

LOAN MADE ON
INDIAN RESERVE

See Special Programs Manual for mortgage alternatives for loans made on an Indian Reserve.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Additional Security	1
		1992-11-02

INTRODUCTION

This Section describes the policy and various types of additional security. In this section, the words "chattel" and "chattels" do not include **manufactured** homes for which chattel mortgages may be taken as security.

POLICY

If required, the Approved Lender may take additional security for a loan.

The Approved Lender may release, dispose of, or deal with such security as it considers advisable, except when the loan was insured subject to the taking of such additional security. In this case, prior CMHC approval is to be obtained before releasing the security.

CONDITIONAL SALES
CONTRACT/RENTAL
AGREEMENT

The Approved Lender must ensure, by obtaining a copy of the Bill of Sale, that the following chattels are paid for:

- any chattels included in the overall project cost; and
- those chattels which contributed to the income stream on which the loan was based.

Such chattels must also be insured against **main perils** including theft.

CHATTEL MORTGAGE

The Approved Lender is responsible for obtaining registered chattel mortgage security (Nantissement commercial in Quebec) on all chattels as described above.

The Approved Lender must comply with provincial laws with respect to chattel mortgage renewals.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Additional Security	2
		1992-11-02

ADDITIONAL COVENANTS

When the borrower is a shell company (i.e. a company whose main assets are represented by the projects), the covenants of the principal shareholders and/or, if applicable, the covenant of the parent company is to be obtained.

CMHC may require the obtaining of personal covenants in other circumstances, on a case by case basis.

The above covenants are to be secured for the projected duration of the amortization period and with respect to all obligations of the borrower under the mortgage.

RELEASE OF BUILDER
COVENANTS
(HOMEOWNER LOANS
ONLY)

The Approved Lender may release the builder from personal covenants when:

- CMHC has notified the Approved Lender that the house has been completed; and
- the home purchaser, meeting NHA requirements, has acquired title to the mortgaged property, and has assumed the covenants under the mortgage.

Note: In Quebec, the Approved Lender must specifically retain the hypothecs attached to the builder's obligations under the Deed of Loan.

MANDATORY RETENTION
- BUILDER COVENANTS

The builder's covenants are not to be released when a house is sold to a purchaser who intends to rent rather than occupy.

RELEASE OF OTHER
COVENANTS/COLLATERAL
SECURITY

No additional security or covenant may be released by the Approved Lender unless the release has been explicitly approved by CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Additional Security	3
		1992-11-02

RELEASE OF OTHER
COVENANTS/COLLATERAL
SECURITY
(Cont'd)

CMHC will not normally approve the release of covenants on an income-producing property. Approved Lenders may, at their own discretion release covenants. In the event of a claim however, CMHC will assess the impact of such action on any losses incurred and may adjust the amount of the claim paid.

An exception applies to those guarantees or covenants which are additional to those required by CMHC in these instructions or through a **Certificate of Insurance**, Form CMHC 530.

Generally, CMHC wants to maintain covenants and guarantees in place until the purpose for which they were required has been fulfilled.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN SECURITY	Release of Personal Covenants - Conditions to be met	1
		1992-11-02

INTRODUCTION

Specific conditions must be met prior to the release of personal covenants.

REQUIREMENTS

The Approved Lender may release the builder from personal covenants when:

- CMHC has notified the Approved Lender that construction of the house has been completed, and
- a home purchaser, meeting debt service requirements has acquired title to the mortgaged property, and has assumed the covenants under the mortgage.

Note: In Quebec, the Approved Lender must specifically retain the hypothecs attached to the builder's obligations under the deed of loan.

CMHC MORTGAGE LOAN INSURANCE

Section REPAYMENT ARRANGEMENTS	Subject Overview	Page 1
		1995-12-20

INTRODUCTION

This Section describes the types of mortgage repayment plans.

GENERAL

Equal Payment and Variable Rate are the two types of mortgage payment plans. The borrower has the option of including municipal taxes as part of the mortgage payment.

(0304-02)

EQUAL PAYMENT
MORTGAGE

Principal and interest amounts combined to make up the payments for all types of housing.

(0304-03)

VARIABLE RATE
MORTGAGE

There are two types of Variable Rate Mortgage (VRM) products eligible for NHA homeowner mortgage loan insurance; standard VRMs and capped VRMs. In both cases, mortgage payments are established with an interest rate that varies throughout the term of the mortgage. Standard VRMs are available for single unit owner-occupied properties. Capped VRMs are available for 1 to 3 unit owner-occupied properties and have interest rate ceilings, or caps, that limit increases in interest rates to a level negotiated between the borrower and the Approved Lender. If a claim is made, the rate at the time of default is used.

(0304-04)

VARIABLE RATE -
ELIGIBILITY
CRITERIA

An Approved Lender may offer a variable rate mortgage providing it meets definite CMHC requirements. It must have CMHC approval and be used for all subsequent VRMs administered by the Approved Lender.

(0304-05)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Overview	2
		1995-12-20

MORTGAGES FUNDED
BY SELF-DIRECTED
RRSPs

A self-directed RRSP or RRIF can be invested in mortgages. CMHC approval is not required for this type of program but specific criteria must be met for the mortgage itself. The loan application must clearly indicate the source of funds.

(0304-06)

PORTABLE
MORTGAGES

Some Approved Lenders allow clients to transfer the terms and conditions of an existing mortgage to a newly purchased property. The loan application must clearly indicate "portable mortgage".

(0304-07)

NHA LOANS-MINIMUM
TERM

The minimum loan term after IAD is six months. However, for information on possible three month maturities and three month interest rates refer to 0302-05.

(0304-08)

INTEREST ADJUSTMENT
DATE

This subject describes setting the IAD and the timing of the first mortgage payment.

(0304-09)

POSTPONING/
ACCELERATING
INTEREST
ADJUSTMENT DATE

The IAD can be changed depending on the circumstances.

(0304-10)

"PREPAY AND SKIP"
MORTGAGE OPTIONS

Approved Lenders may allow the borrower to skip one or more mortgage payments, under certain conditions.

(0304-11)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	General	1
		1992-11-02

INTRODUCTION

This Section identifies the repayment alternatives, and the policy regarding tax payments.

TYPES OF REPAYMENT

NHA insured loans may be repaid in one of two ways: Equal Payment Mortgage (EPM) or Variable Rate Mortgage (VRM). For further details, see 0304-03 and 0304-04, respectively.

CMHC is prepared to consider other alternatives Approved Lenders may propose from time to time.

MUNICIPAL TAXES

The prescribed NHA mortgage form requires the borrower to make combined monthly payments of principal, interest and taxes.

In approving a new loan, an Approved Lender may, upon the borrower's written request, choose not to collect taxes on the borrower's behalf provided:

- the estimated tax amount has been included in the GDS ratio calculation;
- the borrower has agreed to assume the responsibility and to provide to the Approved Lender, a copy of the receipted tax bill within 30 days after the due date of the final instalment (for a multiple-unit loan, within 30 days of the due date of each instalment);
- the mortgage has been amended as provided for in 0303-01 (loan security);
- the Approved Lender revokes the borrower's tax payment privilege if arrears of taxes and/or regular payments occur, equal to three monthly instalments of principal, interest and taxes;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	General	2
		1992-11-02

MUNICIPAL TAXES
(Cont'd)

- the borrower has requested to pay municipal taxes, and has defaulted on the payment of these taxes. Such a default is considered to be a default under the mortgage.
- the Approved Lender agrees (if there is a MIF claim) to include in the claim, only those tax arrears incurred from the date of default, or to satisfy CMHC that it has acted prudently in monitoring the borrower's tax paying performance.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Equal Payment Mortgage - Summary	1
		1992-11-02

INTRODUCTION

A brief description follows for Equal Payment Mortgage (EPM).

DEFINITION

This is a combined monthly payment of principal and interest that is:

- set and remains constant throughout the term; and
- sufficient to repay the loan at the contract rate of interest over the prescribed amortization period.

AVAILABILITY

Equal Payment Mortgage applies to all types of new or existing housing, for sale or rental.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Variable Rate Mortgage - Summary	1
		1996-11-22

INTRODUCTION

This Section details the policy for Variable Rate Mortgages (standard and capped VRMs).

REQUIREMENTS

This mortgage arrangement provides the following:

- the interest rate to be varied (either up or down) at intervals in accordance with a formula agreed upon between the borrower and Approved Lender. Capped VRMs have preset interest rate ceilings that limit increases in interest rates up to a level negotiated between the borrower and Approved Lender.
- the arrangement must be acceptable to CMHC;
- monthly payments remain constant throughout the prescribed term. As a result, the mortgage balance may increase or decrease, depending on interest rate alterations.
- an upset loan amount is established at the beginning of the agreement to trigger implementation of special repayment arrangements, if necessary, to ensure that the mortgage balance remains within acceptable limits;
- the borrower can repay the loan in full instead of accepting any upward rate adjustment.

AVAILABILITY

The standard Variable Rate Mortgage is available only on new or existing **1 to 4 unit homeowner-occupied properties**, and is subject to a mortgage insurance premium surcharge of 0.25%.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Variable Rate Mortgage - Summary	2
		1998-09-11

AVAILABILITY
(cont'd)

Capped VRMs are eligible for mortgage loans on new or existing 1 to 4 unit buildings of which one unit is occupied by the owner. The VRM premium surcharge of 0.25% is waived for capped VRMs with payments based on the maximum or capped rate.

NOTE: VRM's used in conjunction with the **95% Financing** are restricted to Capped VRMs and 1 and 2 unit owner-occupied properties only.

INTEREST RATE IN
EVENT OF A CLAIM

The interest rate applicable in the event of a claim shall be the rate in force at the time of default. See Insurance Servicing manual. This applies to both standard and capped VRM products.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Variable Rate Mortgage - Eligibility Criteria	1
		1998-09-11

INTRODUCTION

For their particular VRM scheme, Approved Lenders must obtain prior approval from:

The Director
Insurance Products and Services
Division
CMHC National Office
700 Montreal Road
Ottawa, Ontario
K1A 0P7

Each VRM scheme is judged for conformity with the following criteria, and the Approved Lender must, thereafter, ensure that individual applications comply.

Details supplied must include the Approved Lender's requirements for borrower qualification, loan ratios, etc.

LOAN RATIO

The maximum loan-to-value ratios are as follows:

Standard VRMs - 85%

Capped VRMs - 95%

EQUITY

Consistent with the loan ratios and to ensure a minimum equity content, 15% equity must be provided from the borrower's own resources.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Variable Rate Mortgage - Eligibility Criteria	2
		1998-09-11

EQUITY
(cont'd)

For capped VRMs, a minimum of **5%** equity must be provided from the borrower's own resources.

PAYMENTS

The mortgage payment established at loan approval must be sufficient to amortize the loan in no more than 25 years from the approval date, based on the initial interest rate.

For mortgage renewals, the payment must be based on the remainder of the amortization period.

TERM

Generally, the minimum term is six months from IAD. A three month interest rate or maturity is available for home ownership variable rate mortgage loans. For details see II 0302-05 and II 0304-08. **For 95% Financing, see II 9905-01.**

GDS AND TDS RATIOS

Ratios up to 32% and 40% respectively can be approved by the Approved Lender without reference to CMHC. For regular homeowner loans (maximum 90% LTV), these calculations must be based on the higher of the posted three year term mortgage or actual contract interest rate. For homeowner-occupied loans over 90%, up to and including 95% LTV loans, see 95% Financing, II 9905-01.

Exceptions for higher ratios may be approved by CMHC, on the Approved Lender's recommendation. CMHC expects any shortfall to be compensated by other factors such as excellent credit history, solid employment and earning capacity, good downpayment or other risk-mitigating factors. The request for exception must be supported by a written rationale from the Approved Lender.

Debt coverage shortfalls on **95% Financing** applications are not considered, as the mitigating circumstances are limited.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Variable Rate Mortgage - Eligibility Criteria	3
		1994-09-19

ADVICE OF INTEREST
RATESStandard VRMs

The borrower must be given adequate notice of increases in interest rates. With the notice of increased interest rate, the Approved Lender must also inform the borrower that he/she has the option of repaying the loan in full, without penalty, or agreeing to pay the new interest rate.

Capped VRMs

The borrower is aware that interest rates may increase up to the agreed interest rate ceiling. Approved Lenders should continue to notify the borrower of increases in interest rates. The option of repaying the loan in full without penalty is dependant on the specific capped VRM selected by the borrower.

PAYMENT IN FULL

For standard VRMs only, the borrower has the right to repay the loan in full, without penalty, within the following time frame:

- after the Approved Lender has requested an increase in interest rate; and
- before the date of the first mortgage payment at the revised interest rate, as indicated in the advice of interest rate change.

INTEREST RATE
FORMULA

The mortgage instrument must clearly specify the formula used to establish the interest rates for all NHA approved VRM products.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Variable Rate Mortgage - Eligibility Criteria	4
		1994-09-19

UPSET LOAN TO
VALUE RATIO
(TRIGGER POINT)

Provision must be included in the mortgage documentation, requiring the borrower to take remedial action, if at any time, the loan balance exceeds the lesser of:

- 90% of lending value or
- 110% of the original principal balance.

The upset loan to value ratio (trigger point requirement) does not apply to capped VRM products.

Remedies could be as follows:

- agree to increase the level of payments,
- reduce the mortgage balance, or
- convert the loan to a fixed rate equal payment mortgage.

This requirement does not apply to capped VRMs.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Mortgages Funded by Self-Directed RRSPs	1
		1995-12-20

INTRODUCTION

Under certain circumstances, CMHC will insure mortgage loans funded by borrowers' own self-directed registered retirement savings plans (RRSP) or income funds (RRIF).

Note: The holder of the self-directed RRSP or RRIF and the mortgagor (or spouse of the mortgagor) must be the same person.

CONDITIONS

The mortgage must be made and always administered by an NHA Approved Lender, and insured either by CMHC or a private mortgage insurer.

INCOME TAX ACT

CMHC does not approve or reject the program under which the RRSP/RRIF mortgage is provided.

Approval of any specific program under which RRSP/RRIF funded mortgages are made should be obtained from Revenue Canada.

Approval of a mortgage for loan insurance by CMHC does not mean that the mortgage is approved for income tax purposes as an acceptable investment for an RRSP/RRIF as defined by Revenue Canada.

The Approved Lender is responsible to ensure that the mortgage meets the criteria set out by Revenue Canada for an acceptable self-directed RRSP/RRIF investment.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Mortgages Funded by Self-Directed RRSPs	2
		1998-09-11

AVAILABILITY

CMHC will issue RRSP/RRIF funded mortgages only for new or existing, single unit homeownership or rental applications.

The second mortgage insurance program is now available to facilitate the refinancing/ (restructuring) of existing mortgages for RRSP purposes. RRSP and second mortgage policies as outlined in the CMHC Mortgage Loan Insurance Handbook are to be applied.

The approval of a second mortgage for loan insurance by CMHC must not be construed to mean that the mortgage is approved for income tax purposes as an acceptable investment for RRSP/RRIF. Qualifying an investment for income tax purposes is the responsibility of Revenue Canada.

Note: When simply restructuring existing financing to put a self-directed RRSP in place, the requirement for the first mortgage to be in place for a period of one year can be disregarded.

LOAN RATIOS

The maximum loan to value ratio is:

- 95% for applications involving a purchase, with or without repairs/improvements; or
- 75% for applications involving refinancing of existing property, either solely or with repairs/improvements.

EQUITY

Consistent with these loan ratios, all equity (either 10% or 25%) must be provided from the borrower's own resources (to ensure a minimum equity content).

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Mortgages Funded by Self-Directed RRSPs	3
		1995-12-20

INTEREST RATE

The interest rate used must be consistent with general market conditions and with other mortgages offering similar conditions and repayment terms.

BORROWER
ELIGIBILITY

Approved Lenders must ensure that borrowers using this method of mortgage financing have exceptional past borrowing records.

For applications involving refinancing of existing property (with or without repairs or improvements), the gross debt service (GDS) ratio should not exceed 25% including principal, interest, property taxes, heating costs, and if applicable, one-half of condominium charges.

REFINANCING

NHA insurance is not available if the intent of the mortgage is to remove equity from the property.

DISCLOSURE

When the application for mortgage loan insurance is submitted to CMHC, the Approved Lender must clearly indicate on the Request - Certificate of Insurance, Form CMHC 530, or on the appropriate Approved Lender's form, that the mortgage is being funded by a borrower's (or borrower's spouse's) own self-directed RRSP (for illustration see 0402-02).

The following statement must be entered in the "comment" section of Form CMHC 530, with the appropriate changes made, as applicable:

"This loan is (to be) funded by an RRSP or RRIF of _____ who is the (spouse of) (one of) the borrower(s)."

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Portable Mortgage Insurance	1
		1998-09-11

INTRODUCTION

Many Approved Lenders offer a "portable mortgage" feature with homeowner loans. This allows the interest rate and other conditions of an existing loan to be transferred to a new loan when the borrower sells the original property and acquires a subsequent home prior to the end of the term of the loan.

Where the original homeowner loan is insured by CMHC, including loans approved under CMHC's Chattel Loan Insurance Program (CLIP) or a CMHC insured second mortgage, the mortgage insurance coverage may be transferred to a new loan, subject to the conditions described below.

If the following conditions are not met for any reason, portability of CMHC mortgage loan insurance will not be permitted. The new loan will be treated as a new application and the full premium and application fee will be charged.

CONDITIONS

CMHC's approval of mortgage insurance for the existing loan is dated on or after April 1, 1996.

The original mortgage loan is in good standing, not in arrears.

The original mortgage loan is for an owner-occupied 1 to 4 unit property.

The subsequent property is a new or existing owner-occupied 1 to 4 unit property.

The Approved Lender's portability plan must be used.

The new insured loan borrower(s) must be the same as the original approved loan borrower(s). Any change in borrower(s) will constitute a new application for insurance, including fees, premiums and normal eligibility requirements.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Portable Mortgage Insurance	2
		1997-01-10

CONDITIONS
(cont'd)

The Approved Lender must ensure that the loan on the original property has been repaid and the mortgage securing the loan is discharged.

The property to which the mortgage insurance is being ported must meet CMHC's usual underwriting policies.

The Approved Lender will provide up-to-date borrower information with every application for portable mortgage insurance.

Mortgage loans identified as part of the CMHC approved Mortgage Payment Deferral programs are eligible for portability.

Borrowers are not restricted to "porting" their mortgage to another property on only one occasion during the amortization period of the loan.

CMHC PORTABILITY

CMHC's portability feature saves money for the repeat user of CMHC mortgage insurance by reducing or eliminating the premium payable on the new insured loan. The benefit to the borrower depends upon the time elapsed between the closing day of the original insured loan and the day on which the application for the new loan is received by CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Portable Mortgage Insurance	3
		1998-09-11

CMHC PORTABILITY
(cont'd)

Portability after six months from the closing day

Where there is no increase in risk, and where the new mortgage insurance application is received by CMHC more than six months after the closing day of the original insured loan, and the application complies with all of the items under "CONDITIONS" above:

- . the outstanding balance of the original insured loan may be ported to a different property, at no additional mortgage insurance premium.
- . new CMHC application fee will be charged.
- . the portability option may be exercised at any time during the life of the insured loan.
- . the new loan will be amortized over the remainder of the amortization period of the original loan.
- . the **initial** loan-to-value ratio **for the new loan** (current outstanding balance of the original loan as a percentage of the lending value of the newly purchased property) must be less than or equal to the **current** loan-to-value ratio **for the original loan** (**current outstanding balance** as a percentage of the original lending value of the property).
- . the ported loan may be supplemented by additional financing (insured or uninsured) to allow the borrower to purchase a higher priced home, as long as the borrower qualifies for the higher loan amount.

Where an insured mortgage loan is being ported and no additional financing is required, the new borrower information will not necessarily be strictly assessed against CMHC's borrower eligibility criteria.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Portable Mortgage Insurance	4
		1997-01-10

CMHC PORTABILITY
(cont'd)

If the borrower requires additional insured financing, an application may be made for CMHC second mortgage insurance. The premium on the additional financing will be calculated in accordance with the premium structure for a CMHC insured second mortgage. See II 1001. Alternatively, for registration purposes, the Approved Lender may allow the original loan balance to be "blended" with additional financing into one new first mortgage. The application for CMHC mortgage insurance will be treated as two separate transactions:

- . First, the mortgage insurance on the outstanding balance of the original loan will be ported, with no new premium payable.
- . Secondly, the insurance for the additional financing is available only through CMHC's second mortgage insurance product.

Where there has been no change to the original loan amount and if the existing financing for the original home consists of two insured loans, i.e., a CMHC insured first mortgage loan (where the loan has not been assumed) and a CMHC insured second mortgage loan, the total outstanding balance of the two insured loans may be ported in one mortgage document to a subsequent property and treated as a single mortgage loan. The same conditions that are in place for porting a single insured loan will apply.

Full premium transfer within six months from the closing day

Where the "CONDITIONS" above are met, and where CMHC receives a new mortgage insurance application within six months from the closing day of a previously insured loan for the same borrower:

CMHC MORTGAGE LOAN INSURANCE

Section REPAYMENT ARRANGEMENTS	Subject Portable Mortgage Insurance	Page 5
		1997-01-10

CMHC PORTABILITY
(cont'd)

- the full amount of the original premium paid is applied against the premium due for the new loan. Payment to CMHC will consist of the difference between the amount of the original premium paid and the new premium due, plus a new CMHC application fee.
- the new loan is underwritten as a completely new undertaking and is not restricted by the loan-to-value ratio or any other aspect of the original loan.
- the Approved Lender will provide up-to-date borrower information with the application.
- the insured loan amount may be increased as long as the borrower qualifies for the higher loan amount.
- where no loan increase is being sought, CMHC's borrower eligibility criteria will not necessarily be strictly applied.
- the new loan may be used to purchase a different principal residence or to increase the amount of financing on the original property.
- where the new loan amount is lower than the original or where the original loan is paid in full, no premium refund is available.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	NHA Loans - Minimum Term	1
		1995-12-20

INTRODUCTION

The minimum maturity from IAD or term requirement is six months. Canada Mortgage and Housing Corporation (CMHC) provides NHA mortgage insurance for homeownership mortgages, which mature within six months of the Interest Adjustment Date or renewal date provided they satisfy the requirements in Section 0302-05.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Interest Adjustment Date	1
		1995-12-20

INTRODUCTION

The Interest Adjustment Date (IAD) is the date by which accrued interest on construction loan advances is collected.

SETTING THE IAD

At the time the loan is committed, the Approved Lender establishes and incorporates in the mortgage, an IAD fixed at not more than two months after the estimated date for substantial completion or occupancy.

The IAD should be set with due regard to the season and past experience with the builder but, for single units, the loan commitment to IAD should not exceed six months.

MORTGAGE PAYMENTS

Regular mortgage payments begin one period after the IAD.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Postponing/Accelerating Interest Adjustment Date	1
		1995-12-20

INTRODUCTION

When the IAD has not been set correctly, it can be adjusted to relate more closely to the actual or estimated date of substantial completion or occupancy.

CHANGING THE IAD

The IAD can be put back (postponed) by advice from the Approved Lender to the borrower.

It can be brought forward (accelerated) with the borrower's consent.

FINAL IAD

The final IAD is to be not later than 2 months after the earlier of substantial completion or occupancy.

Note: Regular payments must begin one period after the final IAD.

EXCEPTIONS

Exceptions where the Approved Lender can postpone the final IAD up to a maximum of 12 months without approval of CMHC, following substantial completion, may occur in the following circumstances:

- condominium units for sale: if registration of the condominium declaration (and By-Laws) is delayed beyond the point of substantial completion;
- builders units for sale: if the units remain unsold; or
- rental housing projects: if occupancy has not occurred.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
REPAYMENT ARRANGEMENTS	Postponing/Accelerating Interest Adjustment Date	2
		1995-12-20

SUBSTANTIAL
COMPLETION

For the purpose of this policy, the following definitions apply to "substantial completion":

Buildings of 2 Units or Less - the construction stage at which the unit(s) is/are more than 90% completed and ready for occupancy.

Buildings of More than 2 Units - the construction stage at which 90% of the units are more than 90% completed and ready for occupancy.

Ready for Occupancy - when unit(s) is/are habitable in terms of availability of electricity, heat and water.

DOCUMENTATION

If a claim on the Mortgage Insurance Fund is made, documentation concerning the postponement of the Interest Adjustment Date and the Maturity Date is to be included with the claim documents.

CMHC MORTGAGE LOAN INSURANCE

Section REPAYMENT ARRANGEMENTS	Subject "Prepay and Skip" Mortgage Options	Page 1
		1995-12-20

INTRODUCTION

A number of Approved Lenders are offering a "prepay and skip" option, which allows the borrower to skip one or more mortgage payments, on the condition that the borrower has previously made prepayments in an amount which is equivalent to or greater than the skipped payment(s).

DEFINITION

CMHC defines the term "prepayment" as any optional payments made by the borrower over and above the payments required by the original mortgage contract. This includes lump sum prepayments as well as accelerated payment schedules (e.g. bi-weekly or weekly payments).

CMHC ACCEPTANCE

Mortgages with a "prepay and skip" option fall within normal CMHC policy, and do not require any specific approval by CMHC, as long as all of the following conditions are met:

- prior to exercising the option to skip one or more mortgage payments, the borrower must make prepayments in an equivalent or greater amount;
- the borrower's account is otherwise current; and
- the original amortization period is not extended.

MORTGAGE ASSUMPTION

If a CMHC-insured mortgage loan is assumed, prepayments made by the original borrower do not entitle the new borrower to skip payments. This is because the new borrower has not demonstrated the ability to make prepayments to offset the skipped payments.

DOCUMENTATION

There is no need for the Approved Lender to identify on the mortgage loan insurance application that the loan includes a "prepay and skip" option.

CMHC MORTGAGE LOAN INSURANCE

Section NEW CONSTRUCTION LOANS - GENERAL	Subject Chapter Overview	Page 1
		1995-09-22

INTRODUCTION

New construction mortgage loans generally have to be applied for, committed, and insured before construction begins or while it is at a very early stage. See 0401-02 for "New Construction" definition. A house, where work has commenced, may also be eligible for mortgage insurance.

This Chapter provides information on the eligibility for and requirements of such loans for various types of housing projects.

GENERAL

This Section details project eligibility, definition of new construction, standards compliance inspections and other general information.

(0401-02)

OWNERSHIP

CMHC makes NHA insured homeownership loans to assist in the construction of single-family dwelling units destined for occupancy by owners. Basic lending criteria and warranty plans are described.

(0402-01)

RENTAL

NHA insured loans can be made to assist in the construction, purchase, or purchase and repair of rental housing projects. This Section describes such loans and CMHC's investor policy.

(0403-01)

CONDOMINIUM

Underwriting and lending criteria and policies for condominium projects are given.

(0404-01)

CO-OPERATIVES

Building co-operatives and continuing co-operatives are both eligible for NHA insured loans.

(0405-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
NEW CONSTRUCTION LOANS - GENERAL	General	1
		1992-11-02

INTRODUCTION

This Section describes CMHC's eligibility criteria for insurance for new construction loans.

APPROVAL

To qualify for NHA mortgage insurance, new construction loans have to be approved prior to construction commencement, or at least at a very early stage. By exception, a house where work has begun, may also be eligible for insurance if it can be established that the work conforms to NHA requirements.

For loans to purchasers of new houses, CMHC accepts applications for mortgage insurance at any stage of construction. This also includes units purchased from plans or model homes, and previously unoccupied completed houses.

PROJECT ELIGIBILITY

The financing of the purchase of a new house can be independent from the construction financing. Eligibility criteria are as follows:

- the property must be the subject of an accepted agreement of purchase and sale;
- the Request - **Certificate of Insurance**, Form CMHC 530, or an **acceptable Approved Lender's application form**, must be in the name of the purchaser and indicate that it is a purchase from a builder (for illustration see 0402-02);
- the sale closing and disbursement of funds must occur after the unit is complete;
- the subject property must be a new detached, semi-detached **duplex, triplex or four unit building** and intended to be owner-occupied;

CMHC MORTGAGE LOAN INSURANCE

Section NEW CONSTRUCTION LOANS - GENERAL	Subject General	Page 2 1995-09-22
--	--------------------	-----------------------------

PROJECT ELIGIBILITY
(Cont'd)

- the property must be registered under an acceptable new home warranty **plan**;
 - a sales brochure of the subject property or equivalent providing sufficient details concerning floor, room size, amenities and lot size or house plans is to accompany the application;
- Note: For completed houses, a photograph, real estate listing and corresponding details are also acceptable.
- current underwriting fee schedule, premium schedule, basic and full processing services apply.

The loans to purchasers of new detached and semi-detached units which meet this criteria are eligible for CMHC's Prime Plus Processing Service.

ENVIRONMENTAL
SITE ASSESSMENT

For new construction multi-storey condominium projects, an independent professional environmental site assessment is required before mortgage loan insurance can be provided for any unit in the project.

For all other new construction projects, environmental site assessment is required only if the number of housing units on the mortgage loan insurance application is more than six. See II 0607-01.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
NEW CONSTRUCTION LOANS - GENERAL	General	3
		1997-05-29

NEW CONSTRUCTION
DEFINITION

New construction refers to projects which are:

- not yet started
- under construction
- completed but never occupied
- **completed and occupied for 12 months or less in jurisdictions which do not enforce the applicable provincial or territorial building code, the published or adopted building code for First Nations' reserves or in its absence, the National Building Code of Canada.**

Note: For rental projects, occupancy implies 80% of units or more.

EXPIRY OF
CERTIFICATE OF
INSURANCE

The Certificate of Insurance will expire six months from the date of issue, unless construction has started.

EXTENSION OF
CERTIFICATE OF
INSURANCE

A six month extension to the expiry date of the Certificate of Insurance may be available upon written request to the local CMHC office. The request must include the rationale for the extension, and must be submitted before the expiry of the original commitment.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
NEW CONSTRUCTION LOANS - GENERAL	Standards Compliance Inspection	1
		1997-05-29

INTRODUCTION

New construction financed under the NHA must meet construction standards (see 0103-02). Regular inspections can verify whether or not these are being met.

Inspections may be performed by CMHC or by qualified professionals such as a registered architectural consultant, fee inspector or professional engineer.

CMHC PRE-APPLICATION
INSPECTIONS

On a project for which no Request - Certificate of Insurance has yet been issued, (for illustration see 0402-02), the proponent may request CMHC to carry out inspections at appropriate intervals. The builder must obtain agreement from CMHC before construction is started.

A builder may arrange for pre-application inspections before completing loan arrangements through a written request to any CMHC branch. The branch can give details on the fee amount and how it is to be collected. Such inspections do not commit CMHC to making or insuring an NHA loan.

The inspection reports must be submitted on regular CMHC inspection forms, with the request for Certificate of Insurance. The forms must be marked "pre-Certificate of Insurance" in a conspicuous manner.

If the reports are satisfactory, it is sufficient evidence that work in place at the time of the request meets CMHC requirements.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
NEW CONSTRUCTION LOANS - GENERAL	Standards Compliance Inspection	2
		1997-05-29

NON-CMHC
INSPECTIONS

A builder may use qualified professionals such as an architectural consultant, fee inspector or professional engineer to perform the inspection, if the professional:

- before the inspection, satisfies CMHC that he/she has the necessary skills and is fully familiar with CMHC requirements.

Note: The builder must seek CMHC approval of the professional before construction starts. Notice - Assignment, Form CMHC 2010 is used for this approval (see illustration on page 3).

- maintains an arm's length relationship with the proponent at all times; i.e., becomes neither an owner, partner or employee; and
- certifies in a form, satisfactory to CMHC, that CMHC requirements have been met.

PLANS EXAMINATION
WAIVER

CMHC will waive the normal plans examination if satisfied, that the municipality has established its own standards the same as, or equivalent to, the applicable provincial, territorial or in its absence the National Building Code of Canada, and is conducting adequate plans reviews. This applies to buildings of:

- not more than 6 units
- up to and including 3 storeys in building height
- gross area not over 600 square metres in building area.

No waiver is made on units subject to the National Flood Damage Reduction Program.

CMHC MORTGAGE LOAN INSURANCE

Section NEW CONSTRUCTION LOANS - GENERAL	Subject Standards Compliance Inspection	Page 3 1997-05-29
--	---	-------------------------

NOTICE - ASSIGNMENT / AVIS - ASSIGNATION
Consultant Inspections / Inspections d'expert

TO / À (OFFICE NAME / NOM DU BUREAU)

CANADA MORTGAGE AND HOUSING CORPORATION
SOCIÉTÉ CANADIENNE D'HYPOTHEQUES ET DE LOGEMENT

CMHC account no. / N° de compte SCHL

Lender's reference no. / N° de référence du prêteur

Project / Projet

CHECK ONE

In accordance with the Builders' Requirements for Obtaining NHA - Insured Mortgages, NHA 5062, I/we confirm that, if the loan is approved, the following registered architect(s) will be assigned the areas indicated below:

A construction start will be made prior to loan approval. I/We request acceptance of the following registered architect(s) to certify compliance with CMHC construction requirements in assigned areas as indicated below:

COCHER UNE CASE



Conformément à la LNH 5062, Exigences techniques pour obtenir un prêt hypothécaire assuré aux termes de la LNH, je confirme (nous confirmons) que si le prêt est approuvé, les architectes dont les noms suivent inspecteront les aspects de la construction suivants :



La mise en chantier se fera avant l'approbation du prêt. Je demande (nous demandons) que les architectes dont les noms suivent soient acceptés pour attester la conformité des aspects de la construction suivants aux exigences de la SCHL.

DETAILS OF ASSIGNMENT / ASSIGNATION

Consultant / Expert	Inspection responsibility / Responsable de l'inspection

Written confirmation of each consultant's acceptance of his respective inspection responsibility:

Acceptation par écrit de son champ de responsabilité par chaque expert :

Is attached (Required for construction start prior to loan approval)
Will be forwarded to you immediately following approval of the loan.



Ci-jointe (Exigée pour la mise en chantier antérieure à l'approbation)



Vous sera adressée immédiatement après l'approbation du prêt.

Signature (Borrower / Emprunteur)

Date

CMHC/SCHL 2010 4/93



CMHC MORTGAGE LOAN INSURANCE

Section NEW CONSTRUCTION LOANS - GENERAL	Subject Standards Compliance Inspection	Page 4
		1997-05-29

FOR CMHC USE ONLY / RÉSERVÉ À LA SCHL

CHIEF, TECHNICAL RESOURCES / CHEF, RESSOURCES TECHNIQUES

Comments / Observations	
Signature	Date

PROGRAM MANAGER / GERANT DU PROGRAMME

Comments / Observations	
Signature	Date

BRANCH MANAGER (for construction start prior to approval) / DIRECTEUR DE SUCCURSALE (pour la mise en chantier antérieure à l'approbation)

Comments / Observations	
Signature	Date

FORWARDED TO / ADRESSEE A

	Date received / Reçu le	Initials / Initiales
Technical resources clerk Commis aux ressources techniques		
Progress advance clerk Commis aux avances progressives		
Loans clerk Commis aux prêts		

☐ Copy of CMHC 2010 placed on CMHC 976A
 Copie de la SCHL 2010 rangée dans la SCHL 976A

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject Overview	Page 1
		1995-09-22

INTRODUCTION

This Section provides information on NHA insured new construction homeownership loans.

GENERAL

Information on eligibility of potential borrowers, loan ratios, repayment options, amortization period, minimum term, and a special mortgage clause is provided.

(0402-02)

NEW HOME
WARRANTY PLANS

CMHC insures loans to a builder or a homeowner who lives in a new building only if the builder is registered, and the units are enrolled in a warranty plan which meets CMHC's eligibility criteria for NHA mortgage loan insurance purposes. Loans to "owner-builder" applicants acting as their own contractors are exempt from this requirement.

(0402-03)

RENOVATION WARRANTY
PROGRAM - QUEBEC

In Quebec, general and subcontractors making improvements of \$10,000 or more per unit must be registered with either L'ACQ Renovation Warranty Program or the APCHQ's Renovation Warranty Program before CMHC insures loans for such projects.

(0402-04)

NEW HOME WARRANTY
PLANS - APPLICATION
PROCESS

New Home Warranty Plans must be recognized by CMHC for the purpose of NHA mortgage loan insurance, and applications must be submitted in accordance with an established process.

(0402-05)

NEW HOME WARRANTY
PLANS - MINIMUM
WARRANTY CRITERIA

New Home Warranty Plans must meet minimum warranty criteria.

(0402-06)

LIST OF NEW HOME
WARRANTY PLANS

A list of New Home Warranty Plans accepted by CMHC is provided.

(0402-07)

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject General	Page 1
		1996-11-22

INTRODUCTION

CMHC insures homeownership mortgage loans to assist in the construction of single-family dwelling units destined for occupancy by owners.

TYPES OF UNITS

The units may be:

- single;
- semi-detached;
- duplex or triplex; or
- a non-condominium building of up to four units (only in areas where a bona fide homeowner market for such buildings is demonstrated by real estate transactions).

POTENTIAL BORROWERS

Potential borrowers for homeownership loans are:

- owner-applicants who intend to construct and occupy;
- speculative builders who intend to construct for purchaser occupancy;
- condominium developers who intend to construct for purchaser occupancy; or
- building co-operatives who intend to construct for member occupancy.

BORROWER ELIGIBILITY

For owner-occupied buildings of 2 to 4 units, the following additional policies apply:

- for special Total Debt Service calculation, see II 0102-03;
- a disclosure statement must be provided by the borrower, to the Approved Lender, outlining any other investment properties the borrower owns, if any.

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject General	Page 2 1998-09-11
----------------------	--------------------	-------------------------

LOAN RATIOS

The following loan ratios are based on Equal Payment Mortgage (EPM) or Variable Rate Mortgage (VRM), for owner-occupied dwellings of up to 4 units. **Where the loan-to-value ratio is over 90%, up to and including 95%, the property must be owner-occupied and must contain no more than two units.** The maximum loan amount is as follows:

Equal Payment Mortgage

- 95% of the lending value.

Standard Variable Rate Mortgage

- 85% of the lending value.

Capped Variable Rate Mortgage

- 95% of the lending value.

Note: Owner-occupied dwellings containing more than four units are to be underwritten in accordance with the CMHC Small Investment Properties policy outlined in II 0403-03.

REPAYMENT OPTIONS

Equal Payment Mortgage (EPM)

Variable Rate Mortgage (VRM)

MAXIMUM AMORTIZATION PERIOD

EPM and VRM - 25 years

MINIMUM TERM

Six months. (Three years for 95% Financing. See II 9905-01.) A three month interest rate is available for homeowner loans only. See II 0302-05.

SPECIAL MORTGAGE CLAUSE

Optional re-sale control. See 0303-02.

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject General	Page 3
		1992-11-02

REQUEST - CERTIFICATE OF INSURANCE
FOR HOME OWNERSHIP ONLY

Canada

Protected when completed

APPROVED LENDER (NAME, ADDRESS, POSTAL CODE)

[]		
-----	--	--

PROPERTY IDENTIFICATION (Property Civic Address)

Street No	Street Name	Apt / Unit
City/Municipality		
Province		Postal Code
Legal Description		

CMHC Account No	Approved Lender's Ref No
Bulk Account No	Approved Lender Code
Language of preference <input type="checkbox"/> English <input type="checkbox"/> Français	

BORROWER(S)

Name and Address	
Age of Borrower if available	Number of Dependents <input type="checkbox"/> Child <input type="checkbox"/> 1 Spouse <input type="checkbox"/> Other
Annual Borrower(s) Total Income (Nearest Dollar)	
Borrower Income	Co-Borrower Income
Annual Shelter Payment	Ratio GDS to Income
(INCLUDING HEATING COSTS) TDS	

LOAN DETAILS

Applicant Type <input type="checkbox"/> 01 Builder <input type="checkbox"/> 02 Homeowner <input type="checkbox"/> 03 Purchase from Builder	Builder Loan Type <input type="checkbox"/> 01 Pre-Sold <input type="checkbox"/> 02 Spec <input type="checkbox"/> 03 Homeowner	<input type="checkbox"/> 1 Purchase <input type="checkbox"/> 2 Refinance Balance of NHA Mortgage Loan <input type="checkbox"/> 3 Refinance Other <input type="checkbox"/> 1 Improve	Tenure <input type="checkbox"/> 1 Freehold <input type="checkbox"/> 2 Leasehold <input type="checkbox"/> 3 Condo <input type="checkbox"/> 4 Indian Reserve <input type="checkbox"/> 6 Chattel	Repayment Type <input type="checkbox"/> 01 EPM <input type="checkbox"/> Other (specify)	Dwelling Type <input type="checkbox"/> 001 Single <input type="checkbox"/> 002 Semi-Det <input type="checkbox"/> 003 Duplex <input type="checkbox"/> 004 Row <input type="checkbox"/> 005 Apt <input type="checkbox"/> 006 Mobile <input type="checkbox"/> 008 Triplex <input type="checkbox"/> 009 Other	<input type="checkbox"/> 1 New <input type="checkbox"/> 2 Existing
No of Units	Type of Processing Services <input type="checkbox"/> 1 Basic <input type="checkbox"/> 2 Full	Underwriting Fee Enclosed \$	<input type="checkbox"/> 1 Well <input type="checkbox"/> 1 Septic Tank	<input type="checkbox"/> 1 Insured Progress Advances <input type="checkbox"/> 2 Insured Single Advance		

LOAN TERMS

Interest Rate <input type="checkbox"/> 1 Fixed <input type="checkbox"/> 2 Adjustable <input type="checkbox"/> 3 Buy Down <input type="checkbox"/> 4 VRM Initial Rate	Ceiling Rate	Pre	Post
Amount paid to buy down amount due in interest	Loan Term	YY	MM
\$			Amortization Period
Pre-approval Given <input type="checkbox"/> 0 No <input type="checkbox"/> 1 Yes	Date	YY	MM
Contact Person - Vendor/Realtor (Name and Telephone)			
Comments			

HOUSING COST/PRICE AND FINANCING DETAILS (NEAREST DOLLAR)

Purchase/Sale Price or Refinancing/Construction Cost	
Improvements (if any)	
Total Costs	
Less Equity	
Other Financing (details in comments)	
NHA Loan Requested	
Mortgage Loan Insurance Premium (to be charged to Mortgage Account <input type="checkbox"/>)	
Approved Lender Authorization (Name, Title, Signature, Phone Number)	Date

CMHC 530 5/92 P.PU-040: Canada Mortgage and Housing Corporation is subject to the Privacy Act. Individuals have a right of access to CMHC controlled information about themselves.

APPROVED LENDER BRANCH COPY

Disponible en français

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject New Home Warranty Plans	Page 1
		1995-09-22

INTRODUCTION

CMHC insures mortgage loans to a builder or a homeowner who lives in a building only if the builder is registered, and the units are enrolled in a **new home warranty plan**. This includes "speculative" and "pre-sold" units as well as "construction contracts". Loans to "owner-builder" applicants acting as their own contractors are exempt from this requirement. For details on these categories, see below.

LOAN CATEGORIES

For the purposes of the **New Home Warranty Plans**, the following loan categories apply.

Speculative - the builder is the owner of the land and unit. The construction of the unit has started prior to sale, and the builder markets the finished product to homeowners.

Pre-sold - the builder is the owner of the land. The builder delays the start of construction until an agreement of purchase and sale for the land and unit has been finalized with the homeowner. The builder retains title and advances until the unit is completed.

Construction Contract - the homeowner owns the land prior to start of construction and has entered into a contract with the builder to construct the unit. The homeowner is the loan applicant. Advances are made to the homeowner who in turn pays the builder.

EXEMPTED LOAN CATEGORIES

Owner-Builder - the homeowner is the owner of the land and is the loan applicant. The homeowner does the work or contracts with one or more subcontractors. Each contract shall not exceed 50% of building costs for the unit.

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject New Home Warranty Plans	Page 2 1995-09-22
----------------------	---------------------------------------	-------------------------

EXEMPTED LOAN
CATEGORIES
(cont'd)

On a fee-for-service basis, the homeowner can hire a professional construction manager to provide advice on the management of the construction of his/her house. The professional construction manager will deal at arm's length with the trade contractors or anyone directly or indirectly involved with the construction of the house, and will receive no benefits other than the pre-arranged fee-for-service. The existence of the above professional service does not change the status of the Owner-Builder as an exempted loan category.

DOCUMENTATION

The Approved Lender will be required to obtain, and to retain on file the following information:

- an evidence of builder registration under a new home warranty plan;
- the unit enrollment number before any progress advances are made; and
- the certificate of completion and purchaser acceptance before release of the final 15% of the loan amount holdback.

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject Renovation Warranty Program - Quebec	Page 1
		1995-09-22

INTRODUCTION

In Quebec, CMHC provides NHA insurance on loan applications regarding a first or second mortgage, where improvements of \$10,000 or more per unit are being carried out by a general or subcontractor, only if he/she is associated with the APCHQ or the L'ACQ Renovation Warranty Program.

DOCUMENTATION

The Approved Lender will be required to obtain, and to retain on file, the following documentation:

- **a copy of the Request - Service Contract Registration;**
- **an evidence of Renovation Warranty Program Contractor registration number;**
- **the Renovation Warranty Program enrollment unit number before a progress advance is made; and**
- **upon completion of the work, an acceptable copy of the Certificate of Completion before the release of the final 15% of the loan amount holdback.**

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP	New Home Warranty Plans - Application Process	1
		1995-09-22

INTRODUCTION

CMHC will accept applications for NHA mortgage loan insurance on new residential units that have construction warranties under eligible New Home Warranty Plans. The process to follow in order to obtain CMHC's recognition of New Home Warranty Plans is described thereafter.

BASIC ELIGIBILITY
REQUIREMENT

The relationship between a vendor/builder and a New Home Warranty Plan must be at arm's length.

MINIMUM WARRANTY
CRITERIA

The minimum warranty criteria for New Home Warranty Plans for NHA insured new construction homeownership loans are found in II 0402-06.

APPLICATION PROCESS

The warranty company seeking CMHC's acceptance of a New Home Warranty Plan for the purpose of NHA mortgage loan insurance, will follow the process hereby described:

- The application will be sent to:

Director,
Insurance Products Division,
CMHC National Office
700 Montreal Road
Ottawa, Ontario
K1A 0P7
Telephone # (613) 748-4675
Fax # (613) 748-2606

- The application package will include:

- . a request to determine whether the New Home Warranty Plan meets CMHC's eligibility criteria, signed by an appropriate signing officer of the warranty company;
- . the details of the geographic area(s) covered by the warranty plan;
- . a reference to the particular clauses in the warranty plan, compared to the minimum warranty criteria detailed in II 0402-06; and

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject New Home Warranty Plans - Application Process	Page 2
		1995-09-22

**APPLICATION PROCESS
(cont'd)**

. the details as to how the Approved Lender and CMHC will recognize that a particular unit is in fact covered under the warranty plan.

NOTE: As an example relating to the above last bullet, the Provincial New Home Warranty Programs provide a builder reference number, and a unit registration number. Similar information should be available to the Approved Lender, and CMHC and the Approved Lender should be entitled to rely on this information.

**ACCEPTANCE OF NEW
HOME WARRANTY PLANS**

CMHC's review of any New Home Warranty Plan will be completed solely for the purpose of determining whether the plan meets CMHC's eligibility criteria for NHA mortgage loan insurance. CMHC's recognition of a warranty plan does not constitute or purport to represent acceptance of the quality of consumer/homeowner protection provided by the warranty plan, nor is it to be represented or relied on by Approved Lenders and others as such.

**RESPONSIBILITIES OF
THE WARRANTY COMPANY**

The warranty company whose New Home Warranty Plan has been accepted by CMHC will retain full responsibility for the following:

- the maintenance of the minimum warranty criteria within the plan;
- the settlement of claims and refunds;
- the selection of eligible vendors/builders; and
- the on-going administration of the plan.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP	New Home Warranty Plans - Application Process	3
		1995-09-22

**ELIGIBLE NEW HOME
WARRANTY PLANS**

A list of eligible New Home Warranty Plans is provided under II 0402-07.

Questions about any specific warranty plan can be referred to the respective provincial warranty offices or the offices of companies with a recognized New Home Warranty Plan.

**CHATTEL LOAN
INSURANCE PROGRAM**

Details of the warranty requirements for the Chattel Loan Insurance Program can be found in II 0903-03.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP	New Home Warranty Plans - Minimum Warranty Criteria	1
		1995-09-22

INTRODUCTION

The following provides the minimum warranty criteria for New Home Warranty Plans to be recognized by CMHC.

REFUND OF DEPOSITS

The warranty plan must make provision for a refund totalling 100% of deposit amounts of \$10,000 or less. For deposits of more than \$10,000, the minimum refund is \$10,000. A deposit to a builder includes a prepayment or equivalent funds provided by the consumer towards the purchase price of the dwelling unit.

LATENT DEFECTS IN
WORKMANSHIP AND
DEFECTIVE MATERIAL

Latent defects are defined as hidden defects which even with reasonably careful inspection during construction will not be revealed until after the home is completed, and put in use for some time. Latent defects become manifest within the first year after the date of possession of the home by the purchaser.

EXCEPTIONS TO
LATENT DEFECTS

The following exceptions apply to latent defects:

- materials and workmanship supplied by the purchaser;
- normal cracks and shrinkage in materials caused by drying after the date of possession;
- defects arising from improper maintenance by the purchaser;
- damage caused by dampness or condensation;
- defects caused by alterations made by the purchaser;
- subsidence of land around the building or along the utility lines;
- defects that were visible and accepted by the purchaser at the date of possession;
- damage to the home due to Acts of God or causes not due to builder's negligence; and
- personal injury or damage to private property.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP	New Home Warranty Plans - Minimum Warranty Criteria	2
		1995-09-22

**MAJOR STRUCTURAL
DEFECTS**

Major structural defects occurring within five years immediately following the date of possession of the home by the purchaser - Major structural defects are defined as defects resulting in failure of the load bearing portion of the home, including but not limited to damage due to soil movement which affects its load-bearing function, and which vitally affects the use of the home for residential purposes.

Load bearing components include: the piles, footings, foundation walls, grade beams, teleposts, bearing walls, floor joists, posts and beams, and roof trusses.

REMEDIAL ACTION

When a defect has been identified, warranty providers are required to ensure that it is corrected by either the builder or themselves. Cash settlements would be contemplated only under very special circumstances. A decision in favor of a cash settlement may occur after negotiation with the homeowner, and the Approved Lender.

**WARRANTY
TRANSFERABILITY**

The warranty must be transferable from one homeowner to the next without limit, until expiration of the initial warranty period.

FINANCIAL LIABILITY

The purchase price of the property is the maximum financial liability which the New Home Warranty Plan must assume, but warranty providers may impose a limit. The minimum financial liability under a warranty plan is \$20,000.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP	New Home Warranty Plans - Minimum Warranty Criteria	3
		1995-09-22

DISPUTE SETTLEMENT

A dispute settlement mechanism must be in place for quick resolution of customer complaints and/or claims. This would include a process for dealing with a purchaser's initial complaints, as well as a process which includes reasonable conciliation/arbitration in the event that the complaint could not be resolved at an earlier stage.

BUILDER
QUALIFICATION

Warranty plan providers must ensure that a process is in place to ensure that the applicant builder has the necessary technical and managerial expertise, and financial stability.

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject New Home Warranty Plans - List	Page 1
		1995-09-22

LIAISON

Questions about any specific warranty plan can be referred to the respective Provincial New Home Warranty Program offices or the respective offices of companies with an eligible New Home Warranty Plan. For a list of these, see below.

PROVINCIAL NEW HOME
WARRANTY PROGRAM OFFICESNewfoundland

Atlantic New Home Warranty
Corporation
516 Topsail Road, Suite 203
St. John's, Newfoundland
A1E 2C5
Tel.: (709) 747-0185

Nova Scotia

Atlantic New Home Warranty
Corporation
1405 Bedford Highway
Bedford, Nova Scotia
B4A 3C5
Tel. (902) 835-9880

Quebec

Programme de certification
des maisons neuves de
l'APCHQ
5930, boul. Louis-H.
Lafontaine
Anjou, Quebec
H1M 1S7
Tel.: (514) 353-1120

New Brunswick

Atlantic New Home Warranty
Corporation
P.O. Box 1212
Moncton, N.B.
E1C 8P9
Tel.: (506) 853-0111

Prince Edward Island

Atlantic New Home Warranty
Corporation
P.O. Box 728
Charlottetown, P.E.I.
C1A 7L3
Tel.: (902) 368-3477

Quebec

Plan de garantie des maisons
neuves de l'Association de
la construction du Québec
4970, Place de la Savanne
Bureau 300
Montréal, Quebec
H4P 1Z6
Tel.: (514) 739-8565 or
1-800-361-7701

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP	New Home Warranty Plans - List	2
		1995-09-22

PROVINCIAL NEW HOME
WARRANTY PROGRAM OFFICES
(Cont'd)

Ontario

Ontario New Home Warranty
Program
5160 Yonge St.,
North East Tower, 6th Floor,
North York City Centre,
North York, Ontario,
M2N 6L9
Tel.: (416) 229-9200

Manitoba

New Home Warranty Program
of Manitoba
Room 220, 1120 Grant Ave.
Winnipeg, Manitoba
R3M 2A6
Tel.: (204) 477-1877

Saskatchewan

New Home Warranty Program
of Saskatchewan
4-3012 Louise Street E.
Saskatoon, Saskatchewan
S7J 3L8
Tel.: (306) 373-7833

Alberta

New Home Warranty Program
of Alberta
208-57th Avenue S.W.
Suite 201
Calgary, Alberta
T2H 2K8
Tel.: (403) 253-3636

British Columbia

New Home Warranty Program
of British Columbia and
the Yukon
1441 Creekside Drive,
Suite 760
Vancouver, B.C.
V6J 4S7
Tel.: (604) 736-9231

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject New Home Warranty Plans - List	Page 3
		1995-09-22

**PRIVATE NEW HOME
WARRANTY PLANS OFFICES**Alberta

Pafco Insurance Company Ltd
c/o J. Folk & Associates
Agencies
1000 Standard Life Centre
10405 Jasper Avenue
Edmonton, Alberta
T5J 3N4
Tel.: (403) 423-1317
Fax.: (403) 428-6485

**Alberta, British Columbia,
Manitoba, Northwest
Territories and Saskatchewan**

**Residential Warranty
Company of Canada Inc.**
102
1046, 122 Street
Edmonton, Alberta
T5N 1M3
Tel.: (403) 488-6040
Fax.: (403) 488-6027

CMHC MORTGAGE LOAN INSURANCE

Section RENTAL	Subject Overview	Page 1
		1996-11-22

INTRODUCTION

NHA insured loans can be made to assist in the construction, purchase, or purchase and repair of income-producing housing projects.

This Section provides information on loans for such projects. Below is an Overview of the Subjects in this Section. For details, refer to location numbers indicated.

GENERAL

Basic loan criteria, premiums and fees, cash flow calculation, interest rate buydown, covenants, rental achievement holdback, changes to loan conditions, and non-arm's length RRSPs are described.

(0403-02)

SMALL INVESTMENT
PROPERTIES

This Section describes CMHC's policy regarding the purchase of **small investment properties of 1 to 6 units**.

(0403-03)

ESCROW FUNDING

This Section provides information on a technique used for rental loans having extended construction phases.

(0403-04)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	General	1
		1996-11-22

INTRODUCTION

CMHC makes NHA insured loans to assist in the construction, purchase, or purchase and repair of rental housing projects.

BASIC LOAN
CRITERIA

Maximum Loan Amount - 85% of market value plus fees and premiums

Minimum Debt Coverage Ratio - 1.15

Note: For Small Investment Properties of 5 and 6 units, a minimum debt coverage ratio of 1.05 is required.

Minimum Term - 5 years.

Note: For existing projects with proven performance for at least 5 years and investor units, the minimum term may be reduced to 1 year.

Maximum Amortization Period - 35 years (at point of original commitment).

UNDERWRITING
POLICIES

Underwriting of income-producing projects will be completed in accordance with the guidelines contained in the CMHC publication entitled "NHA Mortgage Loan Underwriting - For Multiple Projects". This publication is available from:

Insurance Products Division,
CMHC, National Office
700 Montreal Road
Ottawa, Ontario
K1A 0P7

In addition, the project must be located in a strong rental market as indicated by a low vacancy rate. The completion of the project, if new, must not have a major impact on the rental market.

CMHC MORTGAGE LOAN INSURANCE

Section RENTAL	Subject General	Page 2
		1996-11-22

ENVIRONMENTAL
SITE ASSESSMENT

For rental applications involving more than six units, an independent professional environmental site assessment is required which concludes that there are no indications of potential environmental contamination. See II 0607-01.

PREMIUMS AND FEES
AS A COMPONENT
OF THE LOAN

Amounts equal to the mortgage loan insurance premium and CMHC underwriting fees may be added to the insurable loan amount.

CASH FLOW
CALCULATION

For the purposes of calculating debt coverage ratios in the initial year and to ensure project viability, CMHC will estimate cash flow from the project for up to five years from the interest adjustment date of the mortgage. The cash flow estimates will be based on the actual anticipated expenses.

INTEREST RATE
BUYDOWN

For full details, refer to 0302-03.

COVENANTS

For all rental properties, borrowers must provide their covenant(s) on a joint and several basis. Loans involving limited liability ownership will not normally be entertained. Where the borrower is a shell company, the guarantees of the parent company and/or principal shareholders are to be obtained.

RENTAL ACHIEVEMENT
HOLDBACK

CMHC will not insure loan advances exceeding 75% of the loan supported by CMHC's estimate of net income until the Approved Lender has provided satisfactory evidence that the project is generating sufficient rental income to fully offset debt service charges and operating expenses through leasing of the units to bona fide tenants.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	General	3
		1992-11-02

RENTAL ACHIEVEMENT
HOLDBACK
(Cont'd)

Such evidence should consist of a statement of rental income for the project, certified to be true and accurate by the borrower. It must be supported by a rental roll identifying:

- tenant;
- apartment number;
- amount of rent paid;
- lease term;
- details of any rental inducements, if offered;
- details of other incidental income; and
- operating expenses.

For the purpose of calculating the gross revenue, the value of any rental inducements are to be deducted from the total revenues indicated by the leases.

Approved Lenders must carry out whatever procedures they feel appropriate to validate the evidence supplied, and to support a firm recommendation to CMHC for the full or partial release of the holdback based on the full or partial achievement of target revenue.

PURCHASE OF SHARES/
BENEFICIAL INTERESTS

NHA mortgage loan insurance is available to assist in the purchase of shares or beneficial interests of a multiple unit residential project. In cases involving the purchase of a portion of shares, the maximum insurable loan amount is the lesser of total costs (total costs include the sum of current encumbrances plus the cost of share purchase, plus any other associated costs). Borrowers are not permitted to remove equity from a property through this action. Normal and prudent underwriting applies.

INSURANCE INITIATION

II 0403-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	General	4
		1992-11-02

CHANGES TO LOAN
CONDITIONS

CMHC will not normally entertain requests for changes to the conditions of loan approval after the Request - Certificate of Insurance, has been issued. If the Approved Lender requests changes, CMHC may accept applications if the Approved Lender agrees to pay any additional fees and premiums that CMHC may, at its sole discretion, consider appropriate.

NON-ARM'S LENGTH
RRSP

Insured loans are available on mortgages funded by non-arm's length registered retirement savings plans and income funds in accordance with the requirements set out above, with a maximum loan ratio of 75% of value as estimated by CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	Small Investment Properties	1
		1998-09-11

INTRODUCTION

CMHC's Small Investment Properties policy assists in the purchase and/or repair of small rental projects where it would not be appropriate to use the underwriting criteria applicable to multiple projects of 7 units and over.

ELIGIBLE UNITS

Small Investment Properties include:

- detached,
- semi-detached, or
- row and apartment units (buildings)

of freehold, leasehold, or condominium/strata tenure, which are intended for rental purposes.

New projects intended for sale and/or syndication to investors are equally eligible for NHA insurance. Advances of up to 75% of the market value of a unit may be made prior to the sale of the unit.

MARKET VALUE

The market value is the price at which the project could reasonably be expected to resell on the open market ignoring initial sales incentives.

BORROWER (INVESTOR)
ELIGIBILITY

Investors must be able to service the debt on the project with a Total Debt Service (TDS) ratio not exceeding 40%. See II 0102-03 for detailed information on the TDS calculation.

DISCLOSURE
STATEMENT

A disclosure statement must be provided by the borrower, to the Approved Lender, outlining any other investment properties the borrower owns, if applicable.

NET WORTH
REQUIREMENT

A net worth equal to 50% of the loan amount to a maximum of \$100,000 is mandatory. The \$100,000 maximum net worth is also the maximum required for investors, based on their portfolio of rental/investment properties, and calculated at 50% of the outstanding mortgages.

CMHC MORTGAGE LOAN INSURANCE

Section RENTAL	Subject Small Investment Properties	Page 2
		1996-11-22

DEBT COVERAGE
REQUIREMENT (DCR)

In addition to meeting a TDS of 40%, a minimum DCR of 1.05 is mandatory for properties of 5 and 6 units. The DCR may be developed based on actual net operating income, rather than the use of an arbitrary limit of 50% of gross rental income. Actual operating expenses utilized must be verified and include all typical costs that would be encountered on an arm's length basis.

APPLICATION
DOCUMENTATION

For investor properties of 1 to 4 units, the regular documentation for homeownership loans applies.

For properties of 5 and 6 units, the application should include, in addition to the above documentation, an Application for NHA Insured Loan, Rental/Condominium Housing Project, form CMHC 1675.

COVENANTS

Borrowers must provide their personal covenants on a joint and several basis in all cases. To prevent an erosion of assets in the event of marital problems, the covenant of the spouse should be obtained, where called for by prudent lending practices.

If provincial legislation prohibits the pursuit of personal covenants, local CMHC offices may require that the investor units be held by an incorporated body.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	Small Investment Properties	3
		1996-11-22

SYNDICATION

The developer and/or general partner must provide a guarantee to buy back, from either the Approved Lender or CMHC, at a price sufficient to cover its costs, any unit that defaults within the first five years of operations. While this could involve CMHC taking title to the unit and the general partner then purchasing it, the most likely scenario would be the general partner simply taking over the unit and maintaining the account in good standing until such time as he/she is able to resell the unit to an acceptable purchaser. For projects containing over 10 units, the developer must be prepared to offer professional management at a reasonable cost and to provide a pooling agreement that requires all units to share income and operating costs.

CMHC MORTGAGE LOAN INSURANCE

Section RENTAL	Subject Small Investment Properties	Page 4
		1998-09-11

SMALL INVESTMENT
PROPERTIES POLICY

The matrix below provides the Small Investment Properties policy at a glance.

CONSIDERATION	2 TO 4 UNITS OWNER-OCCUPIED	1 TO 4 UNITS NON OWNER-OCCUPIED/ INVESTMENT PROPERTIES	5 AND 6 UNIT INVESTMENT PROPERTIES
Property Value	Market Value	Market Value	Market Value
Rental Income Applied to TDS Calculation	50% of Confirmed Gross Rental Income	50% of Confirmed Gross Rental Income	Actual Verified Arm's Length Operating Expenses
Disclosure of Portfolio	Yes	Yes	Yes
Net Worth Requirements	No	50% of Loan to a Max. of \$100,000 Total Portfolio	50 % of Loan to a Max. of \$100,000 Total Portfolio
Total Debt Service	40%	40%	40%
Debt Coverage Requirements	No	No	1.05
Loan Ratios	2 units - 92.5% of Lending Value 3-4 units - 90% of Lending Value	Rental Ratio 85% of Lending Value	Rental Ratio 85% of Lending Value
Underwriting Fees	Basic \$75.00 Full \$235.00	Basic \$75.00 Full \$235.00	\$125.00 per unit
Insurance Premium Rate	Home ownership Rates	Rental Rates	Rental Rates
Application Documentation	Regular Home Ownership Loan Application	Regular Home Ownership Loan Application Documents	Regular Ownership and Application for NHA Insured Loan, Rental/ Condominium Housing Project CMHC Form 1675

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	Escrow Funding	1
		1992-11-02

INTRODUCTION

In order to better match their borrowing and lending, certain Approved Lenders have proposed a technique known as escrow funding for rental loans having extended construction phases.

BASIC CRITERIA

Under this technique, an NHA insured mortgage loan is processed and documented in the normal way up to the point where the Certificate of Insurance is issued. On commitment of the loan to the borrower, the Approved Lender advances the full amount into an escrow account where it bears interest at the agreed fixed interest rate. The Interest Adjustment Date is fixed as at the date of commitment, with repayment commencing one month later. The escrow funds are not NHA insured.

As construction proceeds, funds are advanced to the borrower from the escrow account in the form of insured advances in the normal way.

The result of the escrow process is a secure line of credit for the borrower at a fixed interest rate and an immediate take-up of the Approved Lender's funds. While the borrower is liable for monthly payments on the full loan amount whether advanced to him or not, these are partially offset by the interest earned on the escrow account.

INSURANCE INITIATION

II 0403-04

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	Escrow Funding	2
		1992-11-02

GENERAL

Except for Social Housing projects receiving Section 95 assistance, the principle of escrow funding for rental projects is acceptable for NHA purposes. The escrow fund itself is not NHA insured.

Escrow funding may only be used in a strong market context, and where the borrower's track record provides reasonable assurance that the project will be completed and rented up quickly.

The escrow funding technique is not to be employed where the construction and rent-up period is expected to exceed 18 months, unless the term of the mortgage is for a minimum of seven years.

Mortgage loan insurance applications involving escrow funding are to be so identified on the **Request - Certificate of Insurance, or an acceptable Approved Lender application form.**

It will be noted that escrow funding represents a departure from established NHA practice only in terms of the manner in which the IAD is established, and in the fact that it normally produces an effective repayment period of less than 5 years. To minimize this term-shortening effect, loans having anticipated construction periods of over 18 months, are subject to a minimum term of 7 years.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONDOMINIUM PROJECTS	General	1
		1992-11-02

INTRODUCTION

Condominium or strata-title is a form of land holding wherein the housing unit is exclusively owned, while the common elements of the project (the ancillary land, spaces and facilities which support the housing units) are jointly owned with all other unit owners.

Condominium ownership provides the opportunities for normal enjoyment of the property, including the right to dispose of it. It is subject only to the restrictions imposed by provincial statute, and by the condominium declaration, by-laws and rules.

BASIC LOAN
CRITERIA

The basic criteria such as loan ratio, terms, etc. are the same as for New Construction - Ownership (see 0402-02).

LEGAL DOCUMENTATION

The rights and obligations of the individuals and groups in a condominium relationship are prescribed by statute and by the declaration and by-laws for the project which will form part of the title documentation.

In British Columbia, the form and content of the declaration and by-laws is prescribed by statute. In all other provinces, the by-laws and/or declaration, as applicable and as proposed by the proponent, must be submitted to CMHC by the Approved Lender for review. This is to ensure that CMHC legal interests, as **mortgage** insurer, are not at risk. The review will cover both underwriting and legal issues.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONDOMINIUM PROJECTS	General	2
		1994-09-12

LEASEHOLD LOANS

Because of legal complexities associated with condominiums where leasehold land tenure is contemplated, and also because of legislative restrictions on such arrangements in certain provinces, CMHC must be consulted before proceeding with proposals for such projects.

LOAN PROCESSING

Inasmuch as a proposed condominium project is, in fact, a rental project until the physical and legal requirements for creating the condominium have been satisfied, the Request - Certificate of Insurance, Form CMHC 530B, must specify both a condominium and rental loan amount.

ENVIRONMENTAL
SITE ASSESSMENT

For new construction, multi-storey condominium projects, an independent professional environmental site assessment is required before mortgage loan insurance can be provided for any unit in the project. This requirement also applies to condominium conversions.

For all other condominium projects (e.g. existing projects, or new ground-oriented project) an environmental site assessment is required only when the number of housing units on the mortgage loan insurance application is more than six.

BLANKET MORTGAGE

When a blanket mortgage is used, it is to be registered in the amount of 100% of the total of the individual condominium loan amounts.

ADVANCE
RECOMMENDATIONS

Because condominium advancing can pose special problems, advance schedules should be discussed and agreed upon between the Approved Lender and CMHC on a case by case basis at the time the Certificate of Insurance is processed.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONDOMINIUM	General	3
		1994-09-12

MORTGAGE CLAUSE

As a safeguard against the overfinancing of rental projects disguised as condominiums, the following clauses must be included in the mortgage or mortgages given by the proponent as security for the loan:

"The mortgagor agrees, and it is a condition of the loans secured by this mortgage that if the mortgagor fails to register the required documentation and take whatever other steps are required to create a condominium corporation (or strata corporation) on the lands hereby secured by the ____ day ____ of 19____ all monies owing under this mortgage, including principal and interest, shall immediately become due and payable, provided that if the mortgagor fails to bring a condominium corporation (or strata corporation) into existence by the said date for reasons that are, in the opinion of the mortgagee, beyond the mortgagor's control, the mortgagee may, at its sole discretion extend the said date for such period of time as it deems necessary."

CMHC MORTGAGE LOAN INSURANCE

Section CONDOMINIUM PROJECTS	Subject General	Page 4
		1992-11-02

REQUEST - CERTIFICATE OF INSURANCE
(RENTAL/CONDOMINIUM/INVESTOR/SOCIAL HOUSING)

APPROVED LENDER (NAME, ADDRESS, POSTAL CODE)

Protected when completed

PROPERTY IDENTIFICATION (Property Civic Address)

Street No	Street Name	Apt./Unit
City/Municipality		Province
Postal Code		
Legal Description		

CMHC Account No.	Approved Lender's Ref. No.
For Bulk Account <input type="checkbox"/> Yes <input type="checkbox"/> No	Transit ID
Language of preference <input type="checkbox"/> English <input type="checkbox"/> Français	

BORROWER(S)

Name and Address

LOAN DETAILS

Applicant Type <input type="checkbox"/> 04 Entrepreneur <input type="checkbox"/> 07 NP-Private <input type="checkbox"/> 05 Co-op <input type="checkbox"/> 08 DIAND <input type="checkbox"/> 06 NP-Public <input type="checkbox"/> 09 Urban Native <input type="checkbox"/> 33 Investor <input type="checkbox"/> Other (Specify)	Tenure <input type="checkbox"/> 1 Freehold <input type="checkbox"/> 2 Leasehold <input type="checkbox"/> 3 Condo. <input type="checkbox"/> 4 Indian Reserve	Repayment Plan <input type="checkbox"/> 1 Equal Payment Mortgage <input type="checkbox"/> Other (specify)	Dwelling Type <input type="checkbox"/> 1 Single <input type="checkbox"/> 4 Row <input type="checkbox"/> 7 Hostel <input type="checkbox"/> 2 Semi-Det. <input type="checkbox"/> 5 Apt. <input type="checkbox"/> 3 Duplex <input type="checkbox"/> 6 Mobile <input type="checkbox"/> 8 Triplex <input type="checkbox"/> 9 Other
Purpose(s) of Loan <input type="checkbox"/> 1 New Housing <input type="checkbox"/> 1 Convert (non res. to res.) <input type="checkbox"/> 2 Existing Housing <input type="checkbox"/> 2 Convert (res. to multiple)			Old CMHC Account No. (if applicable)
No. of Units	Underwriting fee enclosed \$	<input type="checkbox"/> 1 Purchase <input type="checkbox"/> 3 Refinance - Other <input type="checkbox"/> 2 Refinance Balance of NHA Mortgage Loan	<input type="checkbox"/> 1 Improve
		<input type="checkbox"/> 1 Insured Progress Advances	<input type="checkbox"/> 2 Insured Single Advance

LOAN TERMS/CONDITIONS DETAILS

Interest Rate <input type="checkbox"/> 1 Fixed <input type="checkbox"/> 2 Adjustable <input type="checkbox"/> 3 Buy Down	Max %	Ceiling Rate %	Pre %	Post %
Amount Paid to Buy Down	Amount Due in Interest	Loan Term YY MM	Amortization Period YRS	
\$	\$			
Lender's Fees and Charges \$	NHA Loan Requested \$	Mortgage Loan Insurance Premium \$		

CLIENT GROUP

<input type="checkbox"/> 1 Family <input type="checkbox"/> 1 Elderly <input type="checkbox"/> 1 Handicapped <input type="checkbox"/> 1 Special (specify)	Account No.	Account No.
Other NHA Financing Sought in Conjunction with this Loan <input type="checkbox"/> 1 RRAP	<input type="checkbox"/> 1 Section 95	
<input type="checkbox"/> Other (specify)		

<input type="checkbox"/> Copy of Proposed Commitment Letter Enclosed	TO BE CHARGED TO MORTGAGE ACCOUNT <input type="checkbox"/> Mortgage Loan Insurance Premium <input type="checkbox"/> Underwriting Fee (Rental or Investor)
--	--

Approved Lender Authorization (Name, Title, Signature, Phone Number)	Date
--	------

CMHC 530B 9/92 P-PU-040 Canada Mortgage and Housing Corporation is subject to the Privacy Act. Individuals have a right of access to CMHC controlled information about themselves.

APPROVED LENDER BRANCH COPY

Disponible en français

Canada

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONDOMINIUM PROJECTS	Lending Policies	1
		1992-11-02

INTRODUCTION

CMHC has developed a series of policies with respect to various aspects of condominium design and operation. They are based upon actual experience.

HOUSING FORM

NHA mortgage loan insurance is available on condominium projects comprised of a mixture of housing forms (e.g., high-rise and row housing components) only if there is a separate condominium declaration for each housing form.

Past experience has shown that without separate condominium declarations, disparate views and requirements of owners of various kinds of units have caused administrative difficulties. In extreme cases, this has led to the complete disruption of effective management, an undesirable public image, marketing difficulties, and ultimately, foreclosures.

COMMON EXPENSES

CMHC conducts a two-stage review of first year common expense projections to help ensure their validity.

CMHC may perform an initial review at the loan processing stage. The higher of CMHC/developer estimates will be shown on the endorsement to the **Certificate of Insurance when issued (for illustration see 0404-02)**. The Approved Lender must use 50% of this amount in subsequent GDS ratio calculations for purchasers.

CMHC may perform a second review upon receipt of the first **Certificate of Insurance** indicating purchaser approval/recommendation. This is to confirm or amend the common expense estimate. CMHC will convey any change in the estimate to the Approved Lender for use in processing subsequent builder sales.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONDOMINIUM PROJECTS	Lending Policies	2
		1992-11-02

REPLACEMENT RESERVE

A funded reserve from which the condominium corporation can finance the required repair or replacement of major project elements is mandatory for NHA mortgage loan insurance.

CMHC may specify, as a condition of the **Certificate of Insurance**, the level of annual replacement reserve contributions required, as well as the replacement fund balance to which no further contributions need be made.

The Approved Lender is responsible for ensuring:

- that the condominium by-laws provide for the establishment of a funded replacement reserve; and
- from a review of the condominium annual financial statements, that appropriate contributions to, and withdrawals from, the replacement reserve are being made.

ENERGY METERING

Mortgages on condominium properties insured under the NHA must include:

- as a first choice, a dual bulk-individual electrical energy metering system; or
- as a second choice, an individual energy metering system.

Bulk metering brings electrical energy into a project at the most economical rate, but provides no incentive for energy saving on the part of individual owners.

Individual metering results in overall energy savings notwithstanding that the price per unit of energy is higher than in the bulk arrangement.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONDOMINIUM PROJECTS	Lending Policies	3
		1992-11-02

ENERGY METERING
(Cont'd)

A dual distribution system wherein energy is sold to the condominium corporation in bulk and re-distributed to owners via individual meters provides the best of both worlds, but is prohibited in some jurisdictions, including Ontario.

Bulk electrical energy metering alone will be permitted only where the preferred metering systems are specifically prohibited by the authority having jurisdiction.

In new condominium construction designed for individual metering, CMHC requires space to be provided for the subsequent installation of bulk meter and load control devices.

CMHC may check the plans and specifications for new condominium proposals at the earliest opportunity. It may determine the acceptability of the electrical distribution system and negotiate with the developer to achieve the most preferred system possible, subject to the approval of the authority having jurisdiction.

Additional capital costs involved in the installation of individual meters and the provision of space for subsequent installation of bulk meter, etc. can be reflected in the loan amount, to the extent that the economies implicit in the preferred system increase the market value of the individual units.

DISPOSAL OF NON-
RESIDENTIAL SPACES

CMHC will not normally permit the designation of non-residential spaces as "units" if these are capable of being sold and thus severed from the residential units they were designed to serve. In the past, the designation and sale of parking spaces has led to the situation where residential units without parking accommodation were virtually unsaleable.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CONDOMINIUM PROJECTS	Lending Policies	4
		1992-11-02

DISPOSAL OF NON-
RESIDENTIAL SPACES
(Cont'd)

Non-residential spaces such as parking spaces, guard house units, etc. must either form part of individual residential units or the condominium common elements.

An exception to this policy will be considered in the case of recreational facilities, which are to be shared and owned by two or more condominium projects as tenants in common. Other exceptions will be considered by CMHC on their merits.

PROFESSIONAL
MANAGEMENT

CMHC will insure a new construction loan on a condominium project of more than 50 units only if, as a condition of loan approval, the Approved Lender requires that the:

- proponent engage professional management;
- professional manager be acceptable to the Approved Lender; and
- management contract have a term of not less than one year, and not more than two years.

These requirements will be expressed as conditions of the **Certificate of Insurance**.

REGISTRATION
RESTRICTIONS

CMHC will not permit an Approved Lender to impose on a condominium loan proponent any condition which will delay condominium registration. The prohibition may be expressed on Form CMHC 530B.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CO-OPERATIVES	Overview	1
		1992-11-02

INTRODUCTION

There are two types of co-operatives eligible for NHA insured loans: building co-operatives and continuing co-operatives. For details, refer to location numbers indicated below.

BUILDING
CO-OPERATIVES

The building co-operative is formed to construct houses which, at or near completion, are conveyed to individual members. This Subject provides information on processing loans for such projects and special requirements associated with them.

(0405-02)

CONTINUING
CO-OPERATIVES

Continuing co-operative associations initiate, build, and continue to own the housing project with individual members as occupants.

(0405-03)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CO-OPERATIVES	Building Co-operatives	1
		1992-11-02

INTRODUCTION

Building co-operatives are eligible for NHA insured loans. The building co-operative is formed for the express purpose of constructing houses which, at or near completion, are conveyed to individual members. The main advantages of this are:

- the cost savings achievable through bulk purchasing of materials and labour; and
- depending upon skills available in the group, the possible contribution of owner equity in the form of labour rather than cash.

PROCESSING

These **mortgage loans** are processed in the same manner as other ownership loans but with advances, up to the point of conveyance to members, secured by a blanket mortgage in favour of the co-operative association.

SPECIAL
REQUIREMENTS

To ensure that the proposed building co-op is capable of successfully undertaking the design, financing, and construction of the project, the group must assure CMHC in advance of insuring the loan that it:

- has been established for a minimum of six months and has acquired, through experience or appropriate study, the necessary skill and knowledge to proceed;
- will employ or has within its membership a person qualified:
 - to work as a foreman or superintendent
 - for management supervision, including bookkeeping;
- will maintain satisfactory books, records and accounts during construction.

Where the co-op group needs help in these matters, CMHC offices will provide advice.

INSURANCE INITIATION

II 0405-03

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CO-OPERATIVES	Continuing Co-operatives	1
		1993-06-04

INTRODUCTION

Continuing co-operatives are eligible for NHA insured loans. With this type of loan, the co-operative association initiates, builds, and continues to own the housing project with individual occupying members on the basis of shared ownership in the total project.

Such owners are collectively responsible for all costs incurred in the operation of the project, including losses through vacancies or default of individual members.

A member wishing to dispose of his interest might, at the discretion of the association, be required to relinquish his share and unit to the association, to which any potential profit would accrue. This could be passed on to the departing member in whole or in part, depending upon the objectives of the association.

ENVIRONMENTAL
SITE ASSESSMENT

For any cooperative project application involving more than six units, an independent professional environmental site assessment is required which concludes that there are no indications of potential environmental contamination. See II 0607-01.

SPECIAL
REQUIREMENTS

Continuing co-operative loans are processed in the same manner as rental loans but with the following addition. The instruments of incorporation, the by-laws and the form of lease under which members will occupy their units must be acceptable to CMHC.

SOCIAL HOUSING
PROGRAM

See the Special Programs (SP) Manual for particulars of co-operative loans under the Social Housing Program.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
EXISTING HOUSING LOANS - GENERAL	Chapter Overview	1
		1993-01-15

INTRODUCTION

At the time a request for mortgage loan insurance is made to CMHC, if the housing units and/or project are or have been previously occupied, the loan is subject to the policies and standards applicable to existing housing loans.

This Chapter provides information on eligibility requirements, terms, and conditions of such loans for various types of housing i.e. ownership or rental.

GENERAL

This Section details project eligibility, method of loan disbursement, telephone/fax approval and refinancing.

(0501-02)

OWNERSHIP

NHA insured existing mortgage loans on existing properties may be made to assist in the purchase and/or improvement and/or refinancing of existing housing or condominium units under specific conditions.

(0502-01)

RENTAL

NHA insured rental loans can be made for one or a combination of purposes.

(0503-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
EXISTING HOUSING LOANS - GENERAL	General	1
		1997-05-29

INTRODUCTION

When a request for loan insurance is made to CMHC for a housing unit or project, it is subject to the policies and construction standards applicable to existing housing loans, if it is or has previously been occupied.

CONSTRUCTION
STANDARDS

Existing housing must meet, or be capable of meeting, the standards established in "Minimum Property Requirements for Existing Residential Buildings" NHA 6963. These are available from any CMHC Office.

There is only one exception to this--recently-occupied buildings in any area that CMHC believes the municipality is not adequately enforcing the applicable provincial, territorial or municipal building code or in its absence the National Building Code of Canada. Housing units or projects occupied for less than 12 months must conform to the NHA requirements for new construction, i.e. the applicable provincial, territorial or municipal building code or the National Building Code of Canada as applicable. This is to prevent the arrangement of temporary tenancies solely to achieve an occupancy condition which would otherwise render the building subject to the less demanding "Minimum Property Requirements for Existing Residential Building", NHA 6963.

ENVIRONMENTAL
SITE ASSESSMENT

For existing buildings with more than six units, an independent professional environmental site assessment is required which concludes that there are no indications of potential environmental contamination.
See II 0607-01.

INSURANCE COMMITMENT
EXPIRY

The Certificate of Insurance, issued for an existing housing loan will expire in 6 months unless, within that period, the purchase or refinancing transaction has been concluded. In the case of a loan involving significant improvements, renovation, conversion, etc., it will expire, unless an inspection request has been received by CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
EXISTING HOUSING LOANS - GENERAL	General	2
		1993-06-04

INSURANCE COMMITMENT
EXPIRY
(Cont'd)

CMHC provides written notice of impending expiry to Approved Lender and borrower at, or near, the end of the third month.

METHODS OF LOAN
DISBURSEMENT

No improvements

A loan involving no improvements is normally processed as a completion loan. A single advance is made to complete the purchase of refinancing transaction being authorized by CMHC, concurrently with the issuance of the Certificate of Insurance.

This assumes that the project is completed and, in case of rental, that the Approved Lender can provide satisfactory evidence to CMHC that the project is then generating sufficient rental income to fully offset mortgage debt charges and operation expenses.

Improvements

A loan involving improvements, rehabilitation, or conversion work may be advanced as for new construction with progress advances, or as a single advance.

Where existing rental projects with repairs or renovations require the units to be vacated, advances will be on the same basis as new construction.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
EXISTING HOUSING LOANS - GENERAL	Telephone/"Fax" Approval	.1
		1992-11-02

INTRODUCTION

Mortgage loan insurance approval may be granted to Approved Lenders by telephone, or "fax" before the complete application is submitted to the CMHC local office in the normal manner. This applies only to low-risk single family, existing homeowner loans.

LOW-RISK LOAN

For telephone or "fax" approval, a loan must, at minimum, meet all of the following criteria:

Purpose - bona fide purchase of an existing owner-occupied detached or semi-detached unit, individual unit in row housing project, or individual unit in an existing condominium project.

Loan Ratio - 80% or less of the sale price

Minimum Equity - \$10,000.

UNDERWRITING FEE

An underwriting fee of \$75 is due and payable to CMHC at the time of the telephone/fax approval. If the underwriting fee and supporting documentation is not received within ten working days of the telephone or fax approval, the verbal approval will be deemed to be null and void.

ADVANCE

The Approved Lender may advance the funds any time after receiving verbal approval. But, if the underwriting fee, insurance premium, and supporting documents are not received within the prescribed timeframe, the approval becomes null and void.

MORTGAGE LOAN
INSURANCE PREMIUM

The amount of the mortgage loan insurance premium can be calculated from the premium schedule for existing houses, and will be confirmed during the telephone approval.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
EXISTING HOUSING LOANS - GENERAL	Telephone/"Fax" Approval	2
		1992-11-02

MORTGAGE LOAN
INSURANCE PREMIUM
(Cont'd)

The Approved Lender must forward the mortgage loan insurance premium under cover of a Notice - Loan Advance, Form CMHC 990 no later than the date of the advance (for illustration see 0103-03).

WITHDRAWAL OF
FACILITY

Telephone approvals will cease to be available where it is evident that an Approved Lender:

- fails to adhere to the criteria in this Subject, and/or
- consistently fails to follow-up by not remitting the underwriting fee and supporting documents within the prescribed timeframe.

WITHDRAWAL OF
UNDERTAKING TO
INSURE

CMHC may cancel the telephone approval where:

- there has not been a full disclosure of information;
- the information provided by the Approved Lender is inaccurate;
- the underwriting fee and supporting documents have not been received within the prescribed timeframe; or
- the criteria regarding the telephone approval process and the definition of a low-risk loan have not been met.

CMHC MORTGAGE LOAN INSURANCE

Section EXISTING HOUSING LOANS - GENERAL	Subject Telephone/"Fax" Approval	Page 3 1992-11-02
--	--	-----------------------------

APPLICATION
PROCESS

The Approved Lender who has an eligible application can follow the following process:

APPROVED
LENDER

1. Contact the local CMHC office by telephone or fax, and provide the CMHC representative with the:
 - applicant(s) name and property address, Approved Lender's name and branch address, with postal codes
 - purchase price
 - loan details:
 - amount of loan requested
 - interest rate
 - term of the loan
 - amortization period
 - amount of equity
 - gross family income
 - Gross Debt Service (GDS)
 - appraised value, if available
 - Approved Lender reference number.
2. Complete the Form CMHC 530 or an acceptable **Approved Lender's application form** and clearly write "telephone approval" in the comments section.
3. Forward it with the appropriate documents and underwriting fee to the local CMHC office.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
EXISTING HOUSING LOANS - GENERAL	Refinancing Loans	1
		1993-09-29

INTRODUCTION

NHA insured loans can be refinanced to assist homeowners who wish to change Approved Lenders and/or to achieve a more beneficial interest rate and better lending conditions. NHA existing loans can also be refinanced for reasons other than the above, subject to the following limitations.

LIMITATIONS

An NHA refinancing loan cannot be made to convert equity into cash. Where no change of ownership occurs and no improvements are involved, such loans are not to exceed the current balances of the encumbrances registered against the property. Other charges related to the refinancing (e.g., reasonable legal fees, brokers fees and interest penalties) are also eligible for NHA refinancing.

One hundred percent (100%) of all the above-noted charges and encumbrances, as well as improvement costs where applicable, are eligible for an NHA refinancing loan subject to the regular maximum loan ratios. However, such refinancing is to be treated, in every case, as a new loan (new fees and premiums required).

Charges that are not housing-related (loans for buying a car or for business purposes, etc.) may be included in the NHA refinancing application if they have been secured against the property for at least six (6) months prior to the application. Otherwise, they are to be considered equity take-out and are not eligible for NHA loan insurance. It is the Approved Lender's responsibility to comply with this guideline.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
EXISTING HOUSING LOANS - GENERAL	Refinancing Loans	2
		1995-12-20

ENVIRONMENTAL
SITE ASSESSMENT

For any refinancing application involving more than six housing units, where the new loan is greater than the existing NHA loan outstanding balance, an independent professional environmental site assessment is required which concludes that there are no indications of potential environmental contamination. See II 0607-01.

UNDERWRITING FEES

The underwriting fees and the mortgage loan insurance premium payable to CMHC are the same as regular NHA insured loans. There may be exceptions when refinancing existing NHA loans as described below.

REFINANCING AN
EXISTING LOAN -
CONDITIONSNew Loan Not Above Existing NHA Loan
Outstanding Balance

Where:

- the new loan does not exceed the existing NHA loan outstanding balance, and
- where the current risk to the MIF is unchanged,

none of the usual processes to establish borrower credit worthiness or project viability need to be carried out, and no insurance premium will be charged.

In order to ensure that all the conditions attached to the previous insurance policy will survive, a copy of the previous Request - Certificate of Insurance, Form CMHC 530, or the appropriate Approved Lender's form, and attachments must be provided for all rental projects. The same applies for homeownership units located in areas where special conditions related to shared wells, septic tank installations, rights of way, flooding, etc. might have been required at the time of initial commitment.

CMHC MORTGAGE LOAN INSURANCE

Section EXISTING HOUSING LOANS - GENERAL	Subject Refinancing Loans	Page 3 1997-01-10
--	------------------------------	-------------------------

REFINANCING AN
EXISTING LOAN -
CONDITIONS
(cont'd)

New Loan Not Above Existing NHA Loan Outstanding
Balance (cont'd)

The new loan is subject to the following conditions:

- the amount of the new loan may not exceed the up-to-date outstanding balance of the existing NHA insured loan;
- the new mortgage is to be written with monthly payments based on an amortization period which shall not exceed the remaining amortization period of the existing NHA mortgage;

Note: It is the Approved Lender's responsibility to ensure compliance with this guideline.

- for rental loans, any covenants, guarantees, letters of credit, etc, obtained with the original loan must be continued.

New Loan Above Existing NHA Loan Outstanding
Balance

Where the refinancing loan exceeds the outstanding balance of the existing NHA loan, it is to be treated, in every respect, as a previously uninsured loan including the requirement for an environmental site assessment where the loan involves more than six housing units.

FULL INSURANCE
PREMIUM TRANSFER
WITHIN SIX MONTHS
FROM THE CLOSING DAY

Where an eligible borrower needs to increase the amount of insured financing within six months from the closing day of the original CMHC insured loan, the full amount of the mortgage insurance premium may be applied against the premium due on the new loan, subject to the criteria described in Section II 0304-07.

CMHC MORTGAGE LOAN INSURANCE

Section EXISTING HOUSING LOANS - GENERAL	Subject Refinancing Loans	Page 4
		1996-07-05

DOCUMENTATION

The documentation to be provided for a refinancing loan is:

- underwriting fee; (**see Note 1**)
- Request - Certificate of Insurance, Form CMHC 530, or an acceptable Approved Lender's application form or the CMHC 530B for rental loans complete with details of the loan, borrower and property;
- if rental, supplementary data with respect to the borrower and the project (i.e., borrower's financial statements, Application for NHA Insured Loan, Form CMHC 1675 (see illustration on page 4);
- statement of all fees and charges attributable to the refinancing;
- description of improvements, if any;
- where there are more than six housing units being refinanced through one loan, and the new loan is greater than the existing NHA loan outstanding balance, an environmental site assessment report, in compliance with CMHC criteria. See II 0607-01.

N.B.: The Approved Lender is no longer required to provide CMHC with a pay-out statement for the loan being discharged. (However the Approved Lenders are expected to retain the pay-out statement on their own files.)

Note 1: The Approved Lender may pay the underwriting fee at the time of the first loan advance, together with the insurance premium and provincial or retail sales tax, where applicable.

CMHC MORTGAGE LOAN INSURANCE

Section EXISTING HOUSING LOANS - GENERAL	Subject Refinancing Loans CMHC 1675	Page 5
		1993-01-15



Canada

APPLICATION FOR NHA INSURED LOAN
RENTAL/CONDOMINIUM HOUSING PROJECT

Protected when completed

TO (APPROVED LENDER NAME AND ADDRESS):		OFFICE	SECTION OF ACT	CMHC ACCOUNT NO.
		APPROVED LENDER'S REFERENCE NO.		
APPLICANT(S) NAME(S)		LANGUAGE PREFERENCE <input type="checkbox"/> ENGLISH <input type="checkbox"/> FRANÇAIS		TELEPHONE Home Business

APPLICANT'S COST DETAILS (nearest dollar)		BUILDING PARTICULARS	
LAND TOTAL	\$ 00	NUMBER OF UNITS	
LANDSCAPING & SITE	\$ 00	BACHELOR	
ARCHITECTURAL & ENG. FEES	\$ 00	1 BEDROOM	
BUILDING STRUCTURE (including builder's overhead profit add equipment)	\$ 00	2 BEDROOMS	
MORTGAGE LOAN INS. PREMIUM (EST.)	\$ 00	3 BEDROOMS	
OTHER COSTS (SPECIFY)	\$ 00	4 PLUS BEDROOMS	
TOTAL ESTIMATED COSTS	\$ 00	TOTAL UNITS	

FINANCING (APPLICANT)		START DATE YR M D		COMPLETION DATE YR M D		RENTUP DATE YR M D	
EQUITY	\$ 00						
CASH	\$ 00						
NHA MORTGAGE LOAN REQUESTED	\$ 00						
OTHER NHA FINANCING (Attach details showing source and repay terms)	\$ 00						
OTHER NON NHA FINANCING (Attach details showing source and repay terms)	\$ 00						
TOTAL	\$ 00						
MORTGAGE LOAN INS. PREMIUM (EST.)	\$ 00						

ANTICIPATED ANNUAL EXPENSES (APPLICANT)		DATE YR M D		APPLICANT(S) SIGNATURE(S)	
1. TAXES (including local improvement charges)	\$ 00				
2. INSURANCE (Public liability, fire, boiler)	\$ 00				
3. OPERATING (including cleaning and janitor serv. heating hot water, fuel, elect. water, snow removal, grass cut)	\$ 00				
4. REPAIR, REPLACEMENT, PAINTING, ELEVATOR MAINTENANCE	\$ 00				
5. MANAGEMENT	\$ 00				
6. PRINCIPAL AND INTEREST ON LOAN REQUESTED AND ANY SECONDARY FINANCING	\$ 00				
OTHER (SPECIFY)	\$ 00				
TOTAL ANNUAL EXPENSES	\$ 00				

ANTICIPATED ANNUAL INCOME (APPLICANT)			
No. of Units	No. of Rooms	Mo. Rent Per Unit	Total Monthly Rent
		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$
GROSS MONTHLY RENTAL		\$	\$
TOTAL GROSS ANNUAL RENTAL		\$	\$
DEDUCTION	%	FOR VACANCY AND COLLECTION LOSS	\$
EFFECTIVE ANNUAL RENTAL (nearest dollar)		\$	\$
A. PERSONAL INCOME		Monthly	Annual
B. PARKING BAYS		\$	\$
GARAGE		\$	\$
TOTAL		\$	\$
DEDUCTION FOR VACANCY		%	\$
NET ANNUAL PARKING TOTAL		\$	\$
C. OTHER NET (Specify)		\$	\$
EFFECTIVE ANNUAL INCOME		\$	\$

FOR CMHC USE ONLY	
COSTS ESTIMATED TOTAL \$ 00	
FINANCING	
EQUITY	\$ 00
LAND	\$ 00
CASH	\$ 00
TOTAL	\$ 00
NHA MORTGAGE LOAN APPROVED	\$ 00
OTHER FINANCING	\$ 00
TOTAL	\$ 00
MORTGAGE LOAN INSURANCE PREMIUM	\$ 00

INCOME	
RENTAL INCOME	\$ 00
% VACANCY ALLOC	\$ 00
NON RESIDENTIAL INCOME	\$ 00
OTHERS (NET)	\$ 00
EFFECTIVE ANNUAL INCOME	\$
EXPENSES	
RENTAL OPERATING	\$ 00
NON RESIDENTIAL	\$ 00
TOTAL ANNUAL EXPENSES	\$ 00
NET ANNUAL INCOME	\$ 00
DEBT SERVICE (TOTAL)	\$ 00
UNDERWRITING DATA	
1ST YEAR OPERATIONS	
POSITIVE CASH FLOW	\$ 00
OR	
NEGATIVE CASH FLOW	\$ 00
YEARS PROJECTED NEGATIVE CASH FLOW	\$ 00
MARKET VALUE	\$ 00
ANNUAL INCOME GROWTH RATE	%
ANNUAL EXPENSES GROWTH RATE	%
DATE YR M D	UNDERWRITER OFFICE

CMHC 1675 11/92 P.P.U. 040 CMHC is subject to the Privacy Act. Individuals have a right of access to CMHC controlled information about themselves.

DISPONIBLE EN FRANÇAIS

APPROVED LENDER

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject Overview	Page 1
		1997-03-20

INTRODUCTION

NHA insured existing loans may be made to assist in the purchase and/or improvement and/or refinancing of existing housing or condominium units under specific conditions. This Section provides information on such loans.

GENERAL

Details on loan ratios, repayment options, amortization period, term, underwriting criteria, and disbursement are provided.
(0502-02)

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject General	Page 1
		1996-11-22

INTRODUCTION

NHA insured existing housing loans may be made to assist in the purchase and/or improvement and/or refinancing of existing housing or condominium units, occupied, or to be occupied, by owners. The unit may be single, semi-detached, duplex or triplex, or four unit building, and in an area where a bona fide homeowner market for such buildings is demonstrated by supportable real estate transactions, in non-condominium buildings of up to 4 units.

PURPOSE

An NHA insured existing loan can be made for one or a combination of the following purposes:

- purchase
- repair
- rehabilitation
- conversion
- improvement
- refinancing

of an existing house, or

- conversion of a non-residential building to residential.

BORROWER ELIGIBILITY

For owner-occupied buildings of 2 to 4 units, the following additional policies apply:

- for special Total Debt Service calculation, see II 0102-03 for the detailed eligibility criteria;
- a disclosure statement must be provided by the borrower, to the Approved Lender, outlining any other investment properties the borrower owns, if applicable.

LOAN RATIOS
PER UNIT

Loan amounts granted are based on Equal Payment Mortgage (EPM) and Variable Rate Mortgage (VRM).

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject General	Page 2
		1996-11-22

LOAN RATIOS
PER UNIT
(cont'd)Equal Payment Mortgage

1 to 4 unit buildings - 90% of the lending value.

Standard Variable Rate Mortgage

1 to 4 unit buildings - 85% of the lending value.

Capped Variable Rate Mortgage

1 to 4 unit buildings - 90% of the lending value.

REPAYMENT OPTIONS

Equal Payment Mortgage
Variable Rate Mortgage

MAXIMUM AMORTIZATION
PERIOD

The lesser of remaining economic life and:

EPM - 40 years
VRM - 25 years

MINIMUM TERM

One year. See 0302-05 for further details.

SPECIAL MORTGAGE
CLAUSE

Optional re-sale control. See 0303-02.

UNDERWRITING
CRITERIA

CMHC will establish the lending value of an existing house on a dual basis - "as is" and "as improved". The latter will reflect the value of major voluntary improvements proposed by the borrower and of mandatory repairs: i.e. those related to significant mortgage risk and life safety, required by CMHC.

LOAN DISBURSEMENT

A loan involving no improvements would normally be processed as a completion loan with a single advance being made on completion of the sale or refinancing transaction.

A loan with improvements is processed similarly to a new construction loan, with the funds being disbursed in progress advances as the work proceeds and is inspected.

A single advance, at completion, may also be made, as agreed to by the Approved Lender and borrower.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP/RENTAL/ CONDOMINIUM	Appraisals	1
		1996-11-22

INTRODUCTION

Approved Lenders must submit an acceptable appraisal report with applications for mortgage loan insurance for homeowner occupied, rental, or investor properties containing **up to 4 units**, in order to take advantage of the reduced underwriting fee under the Basic Processing Service option.

APPRAISAL FORM

Appraisal reports or opinions of value may be submitted on the Report - Appraisal, CMHC Form 2590, or the Uniform Industry Appraisal Form. These forms contain the required information as outlined in the Appraisal Product Performance Criteria document (Chapter 99 of this Handbook).

Other forms preferred by fee appraisers or the Approved Lender may also be used. If forms other than the CMHC 2590 or the Uniform Industry Appraisal Form are used, and do not provide all the required information, this information may simply be attached and submitted with the appraisal report.

CMHC expects to be provided with a well substantiated market value estimate, a clear indication of market trends, and the impact of the structural integrity as it affects the security. Please refer to Chapter 99 of this Handbook for a full explanation of the CMHC Appraisal Designation Policy and Product Performance Criteria.

EFFECTIVE DATE

The effective date of the appraisal must not be more than 60 days before CMHC receives the application. In areas where markets are experiencing rapid changes, the effective date of the appraisal should be within 30 days of receipt of the application.

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject General	Page 2
		1998-09-11

LOAN RATIOS
PER UNIT
(cont'd)Equal Payment Mortgage

1 to 4 unit buildings - 90% of the lending value.

1 unit buildings - 95% of the lending value.
(See II 9905-01)

2 unit buildings - 92.5% of the lending value.

Standard Variable Rate Mortgage

1 to 4 unit buildings - 85% of the lending value.

Capped Variable Rate Mortgage

1 to 4 unit buildings - 90% of the lending value.

1 unit buildings - 95% of the lending value.
(See II 9905-01)

2 unit buildings - 92.5% of the lending value.

REPAYMENT OPTIONS

Equal Payment Mortgage
Variable Rate Mortgage

MAXIMUM AMORTIZATION
PERIOD

The lesser of remaining economic life **at loan initiation** and **25 years (EPM and VRM)**.

MINIMUM TERM

Six months. (Three years for 95% Financing. See II 9905-01). A three month interest rate is available for homeowner loans only. (See II 0302-05)

SPECIAL MORTGAGE
CLAUSE

Optional re-sale control. See II 0303-02.

CMHC MORTGAGE LOAN INSURANCE

Section OWNERSHIP	Subject General	Page 3
		1998-09-11

UNDERWRITING
CRITERIA

CMHC will establish the lending value of an existing house on a dual basis - "as is" and "as improved". The latter will reflect the value of major voluntary improvements proposed by the borrower and of mandatory repairs: i.e. those related to significant mortgage risk and life safety, required by CMHC.

LOAN DISBURSEMENT

A loan involving no improvements would normally be processed as a completion loan with a single advance being made on completion of the sale or refinancing transaction.

A loan with improvements is processed similarly to a new construction loan, with the funds being disbursed in progress advances as the work proceeds and is inspected.

A single advance, at completion, may also be made, as agreed to by the Approved Lender and borrower.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TYPES	Claim with Conveyance of Title to CMHC	1
		1990-10-01

INTRODUCTION

This Subject describes a claim where conveyance of title is transferred to CMHC.

FILING CLAIM

Claims with conveyance of title are to be filed on the Statement of Claim Under NHA Mortgage Insurance, CMCH 1046, for each loan within 45 days, or such longer period as CMHC may approve in writing, after the borrower's interest is terminated or legally available for transfer to CMHC, as a result of foreclosure, sale proceedings or otherwise, or in the case of a voluntary surrender (Quit Claim), after CMHC approval.

The Approved Lender should send the completed CMHC 1046 to CMHC National Office. For illustration of Form CMHC 1046, see 0501-04.

ENCLOSURES

The Approved Lender should ensure that all enclosures listed on page 1 of CMHC 1046 are submitted along with CMHC 1046 to avoid unnecessary correspondence and delay in processing the claim. Enclosures are to include:

- all title papers concerning the mortgage property and
- a surveyor's certificate or sketch or a similar certificate referred to in National Housing Loan Regulation paragraph 19(c) or Section 22, and
- a duly executed and registerable conveyance or transfer to the Corporation.



CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP	Appraisals	2
		1992-11-02

QUALIFICATIONS
OF APPRAISER

CMHC will permit the Approved Lender to select an accredited appraiser from any Canadian appraisal designation granting association. The designation must be a clearly recognizable appraisal designation.

There may be situations in which the Approved Lender employs on a regular or full time and salaried basis, individuals who complete appraisals on a regular basis similar to full time fee appraisers, but who do not currently hold a recognized professional appraisal designation. In such circumstances, the Approved Lender may utilize the services available from these staff members, provided the Approved Lender can be assured that the valuation report has adequately addressed the Appraisal Product Performance Criteria (see 9904-02).

In all cases, Approved Lenders must ensure an objective opinion of value.

For applications for mortgage loan insurance on properties containing four or more units, appraisal reports must be signed by accredited members of the Appraisal Institute of Canada (AIC) or La Corporation des Évaluateurs Agréés du Québec (EA) who hold the senior appraisal designations AACI or EA.

Please refer to Chapter 99 of this Handbook for a full explanation of the CMHC Appraisal Designation Policy.

REVIEW BY
APPROVED LENDER

The Approved Lender must review each appraisal in light of the Appraisal Product Performance Criteria to ensure the validity of the final estimate of value, and to assist the underwriter to review the process that has lead to the final estimate of value.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP	Appraisals	3
		1992-11-02

MONITORING

CMHC will monitor the quality of all appraisals submitted. Unacceptable appraisals will be returned to the Approved Lender with a request for a revised appraisal.

If the quality of appraisals completed by a particular appraiser and/or local office of an Approved Lender is found unacceptable and continues to be so after the Approved Lender has been notified, CMHC will not accept additional appraisals from the appraiser or the Approved Lender's local office.

INSURANCE INITIATION

II 0502-03

CMHC MORTGAGE LOAN INSURANCE

Section

OWNERSHIP

Subject

Appraisals

Page

4

1992-11-02

CMHC SCHL
Helping to house Canadians

Canada

REPORT APPRAISAL - HOMEOWNERSHIP UNITS

PAGE 1 OF 2

FOR

APPROVED LENDER'S NAME

ADDRESS

ATTENTION

TELEPHONE (include area code)

ATTACH PHOTOGRAPH OF
SUBJECT PROPERTY

APPROVED LENDER'S REFERENCE NO.

CMHC ACCOUNT NO.

GENERAL

Multiple Dwellings

PROPERTY'S CIVIC ADDRESS

BUILDER (NEW)

LEGAL DESCRIPTION

PURPOSE OF

APPRAISAL

DISTRICT/SECTOR

ZONING

TENURE

☐ FREEHOLD ☐ CONDOMINIUM ☐ LEASEHOLD

TAXES \$

ASSESSMENT \$

☐ EASEMENTS ☐ RESTRICTIONS ☐ RIGHTS OF WAY ☐ OTHER

COMMENTS ON MARKET CONDITIONS FOR THIS TYPE OF PROPERTY

NEIGHBOURHOOD

CLASS

☐ GOOD☐ AVERAGE☐ POOR

PROPERTY VALUES

☐ INCREASING☐ STABLE☐ DECREASING

MARKETING TIME

☐ UNDER 4 MONTHS☐ 4 TO 6 MONTHS☐ OVER 6 MONTHS

TYPE

☐ SINGLES☐ MULTIPLES☐ COMMERCIAL☐ INDUSTRIAL☐ RURAL☐ MIXED

APPROX. AGE

% BUILT UP

HIGHEST AND BEST USE

☐ PRESENT OR SEE COMMENTS

COMPATIBILITY OF

SUBJECT

☐ SUPERIOR☐ COMPARABLE☐ INFERIOR

GROWTH RATE OF

NEIGHBOURHOOD

☐ BUILT-UP☐ RAPID☐ STEADY☐ SLOW

SERVICES AND UTILITIES

☐ PAVED ROAD☐ SEWER☐ MUNICIPAL WATER☐ CURBS☐ UNPAVED ROAD☐ SEPTIC TANK☐ WELL☐ SIDEWALKS☐ GAS☐ TELEPHONE☐ ELECTRICITY

DISTANCE TO

SCHOOLS

SHOPPING

DOWNTOWN

PUBLIC TRANSIT

PARKS

DESCRIPTION OF IMPROVEMENTS

NO.

☐ 1☐ 2☐ 3☐ 4☐ 5☐ 6☐ 7☐ 8☐ 9☐ 10☐ 11☐ 12☐ 13☐ 14☐ 15☐ 16☐ 17☐ 18☐ 19☐ 20☐ 21☐ 22☐ 23☐ 24☐ 25☐ 26☐ 27☐ 28☐ 29☐ 30☐ 31☐ 32☐ 33☐ 34☐ 35☐ 36☐ 37☐ 38☐ 39☐ 40☐ 41☐ 42☐ 43☐ 44☐ 45☐ 46☐ 47☐ 48☐ 49☐ 50☐ 51☐ 52☐ 53☐ 54☐ 55☐ 56☐ 57☐ 58☐ 59☐ 60☐ 61☐ 62☐ 63☐ 64☐ 65☐ 66☐ 67☐ 68☐ 69☐ 70☐ 71☐ 72☐ 73☐ 74☐ 75☐ 76☐ 77☐ 78☐ 79☐ 80☐ 81☐ 82☐ 83☐ 84☐ 85☐ 86☐ 87☐ 88☐ 89☐ 90☐ 91☐ 92☐ 93☐ 94☐ 95☐ 96☐ 97☐ 98☐ 99☐ 100☐ 101☐ 102☐ 103☐ 104☐ 105☐ 106☐ 107☐ 108☐ 109☐ 110☐ 111☐ 112☐ 113☐ 114☐ 115☐ 116☐ 117☐ 118☐ 119☐ 120☐ 121☐ 122☐ 123☐ 124☐ 125☐ 126☐ 127☐ 128☐ 129☐ 130☐ 131☐ 132☐ 133☐ 134☐ 135☐ 136☐ 137☐ 138☐ 139☐ 140☐ 141☐ 142☐ 143☐ 144☐ 145☐ 146☐ 147☐ 148☐ 149☐ 150☐ 151☐ 152☐ 153☐ 154☐ 155☐ 156☐ 157☐ 158☐ 159☐ 160☐ 161☐ 162☐ 163☐ 164☐ 165☐ 166☐ 167☐ 168☐ 169☐ 170☐ 171☐ 172☐ 173☐ 174☐ 175☐ 176☐ 177☐ 178☐ 179☐ 180☐ 181☐ 182☐ 183☐ 184☐ 185☐ 186☐ 187☐ 188☐ 189☐ 190☐ 191☐ 192☐ 193☐ 194☐ 195☐ 196☐ 197☐ 198☐ 199☐ 200☐ 201☐ 202☐ 203☐ 204☐ 205☐ 206☐ 207☐ 208☐ 209☐ 210☐ 211☐ 212☐ 213☐ 214☐ 215☐ 216☐ 217☐ 218☐ 219☐ 220☐ 221☐ 222☐ 223☐ 224☐ 225

<

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OWNERSHIP	Appraisals	5
		1992-11-02

COST APPROACH			<input type="checkbox"/> OPTIONAL <input type="checkbox"/> MANDATORY	SEE REVERSE FOR COMPLETION INSTRUCTIONS	PAGE 2 OF 2
	m ² @ \$ _____	\$ _____		LIST OF REPAIRS	
	m ² @ \$ _____	\$ _____			
ADJUSTMENTS	PLUS	MINUS			
	\$ _____	\$ _____			
TOTAL	\$ _____	\$ _____	± \$ _____		
LEGAL, FINANCING, OTHER			+ \$ _____		
DEPRECIATION NORMAL	_____ % OR _____				
DEFERRED MAINTENANCE	\$ _____				
DEPRECIATED BUILDING VALUE					
LAND VALUE					
BASIS <input type="checkbox"/> Analyzed Rate <input type="checkbox"/> Comparable Sales					
VALUE BY COST APPROACH "AS IS"					
VALUE OF REPAIRS					
VALUE BY COST APPROACH "AS IMPROVED"				TOTAL	
COST DATA SOURCES	<input type="checkbox"/> ANALYZED RATES	<input type="checkbox"/> COST MANUAL	<input type="checkbox"/> OTHER (SPECIFY) _____		

DIRECT SALES COMPARISON APPROACH		ADJUSTMENTS	<input type="checkbox"/> OPTIONAL	<input type="checkbox"/> MANDATORY		
SUBJECT/ PROPERTY	SALE NO 1		SALE NO 2		SALE NO 3	
	DESCRIPTION	\$ ADJUST	DESCRIPTION	\$ ADJUST	DESCRIPTION	\$ ADJUST
ADDRESS/LOCATION						
DATE OF SALE						
SALE PRICE						
AGE CONDITION	/	/	/		/	
SIZE I F A						
ROOMS/BEDROOMS	/	/	/		/	
BASEMENT						
PARKING FACILITIES						
LOT SIZE						
FINANCING						
EXTERIOR FINISH						
INDICATED VALUE "AS IS"						
VALUE OF REPAIRS						
INDICATED VALUE "AS IMPROVED"						
VALUE BY DIRECT SALES COMPARISON APPROACH						
"AS IS" \$		"AS IMPROVED" \$				

[illegible]

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	Overview	1
		1992-11-02

INTRODUCTION

NHA insured rental loans can be made for the purchase or a combination of purposes, such as refinancing or improvements.

GENERAL

Policies regarding Existing Rental Loan underwriting are similar to New Rental Loan, (see 0403-02). This Subject provides information on the maximum amortization period.
(0503-02)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	General	1
		1992-11-02

INTRODUCTION

NHA insured rental loans can be made for the purchase of an existing rental property, the purchase and repair of the property, for the purposes of carrying out improvements or for refinancing existing encumbrances.

Details are contained in section - Rental - New - 0403-02. Exceptions are as follows:

MAXIMUM
AMORTIZATION
PERIOD

Lesser of remaining economic life and 35 years at point of original loan commitment. This is reduced to 25 years if the loan is made for improvement/rehabilitation/conversion.

REFINANCING
LOAN LIMITATIONS

See Subject 0501-05 for complete details.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENTAL	Documentation Requirements	1
		1993-06-04

INTRODUCTION

The matrix below provides the documentation requirements for loan applications on rental properties.

CMHC FORM NO.	DOCUMENT	NO. OF COPIES	NEW RENTAL	EXISTING RENTAL
530B	Request - Certificate of Insurance	All	Yes	Yes
1675	Application for NHA Insured Loan Rental/Condo Housing Project	2	Yes	Yes
	Statement Revenue/Expenses Existing Rental	2	No	Yes
	Working Drawings including Plot Plans	1	Yes	Yes (if (approp.))
	Current Financial Statement of Proponent and Approved Lender Assessment of same	1	Yes	Yes
	Underwriting Fee		Yes	Yes
	Environmental Site Assessment Report *	1	Yes, if over 6 units	Yes, if over 6 units

* See II 0607-01

CMHC MORTGAGE LOAN INSURANCE

Section PROPERTY CONSIDERATIONS - GENERAL	Subject Chapter Overview	Page 1 1996-04-13
--	-----------------------------	-------------------------

INTRODUCTION

This Chapter describes certain conditions affecting application for insurance through CMHC.

TITLES

The Approved Lender must ensure proper steps are taken regarding property titles and any deficiencies associated with titles.

(0602-01)

CERTIFICATES

A surveyor's certificate is required for each mortgage application.

(0603-01)

LOT SERVICES

Certain services located on property such as septic tanks may affect delivery of NHA mortgage loan insurance.

(0604-01)

WATER QUALITY

The possible presence of PCBs and methane gas and any required action are detailed.

(0605-01)

RURAL PROPERTIES

Mortgage loan insurance is available for the residential component of acreage properties.

(0606-01)

ENVIRONMENTAL
FACTORS

Mortgage loan insurance is not available for properties where there is evidence that the land or ground water may be contaminated with environmentally hazardous substances.

(0607-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Overview	1
		1993-11-12

INTRODUCTION

The Approved Lender may ensure compliance with CMHC's requirements by utilizing a Solicitor's Certificate of Title, by purchasing Title Insurance or, alternatively the Approved Lender may warrant that the title of the security is acceptable to CMHC. CMHC sets out guidelines regarding acceptable and unacceptable title defects.

UNOBJECTIONABLE
DEFECTS

Some defects do not require approval from CMHC prior to advancing funds. A list of common defects which may be waived is provided.

(0602-02)

OBJECTIONABLE
DEFECTS

Describes the procedure for requesting approval from CMHC of a title defect when the Approved Lender and solicitor determine a general exemption or waiver does not apply.

(0602-03)

NON-DEFECTS
IN TITLE

This Section defines personal covenants that are considered by CMHC to be non-defects as well as compliances and non-compliances to these covenants, with reference to land title.

(0602-04)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Overview	2
		1993-11-12

TITLE INSURANCE

This Section describes the conditions under which the Approved Lender may select or accept Title Insurance to ensure compliance with CMHC's requirements.

(0602-05)

APPROVED LENDER'S
WARRANTY ON TITLE

The Approved Lender may warrant that the title of the security is acceptable to CMHC.

(0602-06)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Unobjectionable Defects	1
		1993-11-12

INTRODUCTION

Waivers or general exemptions may apply to certain defects and do not need to be referred to CMHC for approval.

GENERAL EXEMPTION

A general exemption from CMHC objections is available for:

- any title identified as marketable by leading local solicitors and notaries; and
- defects which do not affect the reasonable use of the land for residential purposes or impact the marketability or value of the property.

COMMON DEFECTS

A list of many common defects to which the regulatory waiver applies appears below.

The list has been reproduced as Typical Easements, Restrictions or Encroachments Considered Unobjectionable under National Housing Loan Regulation 44(3), Form CMHC 1688 and supplies are available to Approved Lenders (see illustration on page 4).

Typical easements, restrictions or encroachments which are considered unobjectionable under the National Housing Loan Regulation 44(3) include:

1. a) Violations of size, cost or setback restrictions provided there is no penalty of reversion or forfeiture of title.
- b) Violations of such restrictions which provide for such penalties are unobjectionable provided that such penalty rights have been released or subordinated to the mortgage.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Unobjectionable Defects	2
		1993-11-12

COMMON DEFECTS
(Cont'd)

2. Violations of size, cost or setback restrictions imposed by municipal by-laws but where the Clerk of the Municipality confirms that these violations have been common in the neighbourhood concerned and the Municipality has not taken action against such violations.
3. Violations of Covenants restricting ownership or occupancy by reason of race, colour, creed or national origin.
4. Easements for public utilities along the property lines, and penetrating not more than 4.6 m inside the lot lines - provided such rights will not interfere with use of the buildings or improvements on the mortgaged property.
5. Easements for underground services that do not extend under any of the buildings on the mortgaged property.
6. Easements for mutual driveways provided they are registered.
7. Encroachment upon the mortgaged property by improvements of the adjoining property - provided such encroachment does not exceed 30 cm, does not touch any buildings or interfere with the use of any improvement on the mortgaged property.
8. Encroachments by the mortgaged property upon the adjoining property, by eaves or overhanging projections belonging to the main dwelling or by detached improvements such as garages, provided such encroachments do not exceed 30 cm.
9. Encroachment by hedges, wooden or wire fences belonging to the mortgaged property.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Unobjectionable Defects	3
		1993-11-12

COMMON DEFECTS
(Cont'd)

10. Encroachments by driveways belonging to the mortgaged property, where encroachment does not exceed 30 cm provided there exists a clearance of 2.5 m between the buildings on the mortgaged property and the property line affected by the encroachment.
11. Variations between the length of the mortgaged property lines, as shown by the recorded title of the mortgagor and as shown by the lines of possession established by survey, provided such variations do not interfere with the use of any of the improvements on the mortgaged property, and do not involve a deficiency of more than 2% with respect to the length of the front line or more than 5% with respect to the length of any other line.
12. Encroachment over easements for public utilities by detached improvements as garages, provided such encroachment does not interfere with the use of the easement or maintenance thereof.
13. Reservations of sub-soil mineral rights (including petroleum or gas rights) provided such reservations make adequate provision for the use of the surface rights.
14. Easements which include waiver of rights to damages for injuries resulting from activities carried out on other lands, expressed as covenants running with the lands, provided such easements are common to the area in which the mortgaged property is situated.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Unobjectionable Defects	4
		1993-11-12



TYPICAL EASEMENTS, RESTRICTIONS OR ENCROACHMENTS,
CONSIDERED UNOBJECTIONABLE UNDER
NATIONAL HOUSING LOAN REGULATION 44(3)

1. (a) VIOLATIONS OF SIZE, COST OR SETBACK RESTRICTIONS, provided that there is no penalty or reversion or forfeiture of title.
- (b) VIOLATIONS OF SUCH RESTRICTIONS which do provide for such penalties are unobjectionable provided that such penalty rights have been released or subordinated to the mortgage.
2. VIOLATIONS OF SIZE, COST OR SETBACK RESTRICTIONS IMPOSED BY MUNICIPAL BY-LAWS, but where the Clerk of the Municipality confirms that these violations have been common in the neighbourhood concerned and the Municipality has not taken action against such violations.
3. VIOLATIONS OF COVENANTS RESTRICTING OWNERSHIP OR OCCUPANCY by reason of race, color, creed or national origin.
4. EASEMENTS FOR PUBLIC UTILITIES, along the property lines, and penetrating not more than 4.6 m or 15 feet inside the lot lines - provided such rights will not interfere with use of the buildings or improvements on the mortgaged property.
5. EASEMENTS FOR UNDERGROUND SERVICES - that do not extend under any of the buildings on the mortgaged property.
6. EASEMENTS FOR MUTUAL DRIVEWAYS, provided they are registered.
7. ENCROACHMENT UPON THE MORTGAGED PROPERTY by improvements of the adjoining property - provided such encroachment does not exceed 30 cm or 1 foot, does not touch any buildings, or interfere with the use of any improvement on the mortgaged property.
8. ENCROACHMENTS BY THE MORTGAGED PROPERTY upon the adjoining property, by eaves and overhanging projections belonging to the main dwelling or by detached improvements such as garages provided such encroachments do not exceed 30 cm or 1 foot.
9. ENCROACHMENT BY HEDGES, WOODEN OR WIRE FENCES belonging to the mortgaged property.
10. ENCROACHMENT BY DRIVEWAYS belonging to mortgaged property, where encroachment does not exceed 30 cm or 1 foot provided there exists a clearance of 2.5 m or 8 feet between the buildings on the mortgaged property and the property line affected by the encroachment.
11. VARIATIONS BETWEEN THE LENGTH OF THE MORTGAGED PROPERTY LINES, as shown by the recorded title of the mortgagor and as shown by the lines of possession established by survey, provided such variations do not interfere with the use of any of the improvements on the mortgaged property, and do not involve a deficiency of more than 2% with respect to the length of the front line or more than 5% with respect to the length of any other line.
12. ENCROACHMENT OVER EASEMENTS FOR PUBLIC UTILITIES by detached improvements such as garages, provided such encroachment does not interfere with the use of the easement or maintenance thereof.
13. RESERVATIONS OF SUB-SOIL MINERAL RIGHTS (including petroleum or gas rights), provided such reservations make adequate provision for the use of the surface rights.
14. EASEMENTS WHICH INCLUDE waiver of rights to damages for injuries resulting from activities carried out on other lands, expressed as covenants running with the lands, provided such easements are common to the area in which the mortgaged property is situated.



CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Objectionable Defects	1
		1993-11-12

INTRODUCTION

Where a reservation on title is encountered to which, in the opinion of the Approved Lender and its solicitor, the general waiver does not apply, approval may be requested from the CMHC Branch Office serving the area in which the property is located.

ACCEPTANCE OF
THE DEFECT

No request for approval should be made unless both borrower and Approved Lender are prepared to accept the defect.

REQUEST FOR
APPROVAL

The request must be made before any advance on the loan is made.

If the defect is approved by CMHC, the Approved Lender is advised, and the appropriate wording will be inserted on the Certificate of Insurance when issued by CMHC.

REQUEST
REQUIREMENTS

A request for approval of a title defect by CMHC should set out clearly the defect at issue, and, to the extent applicable, should be accompanied by all of the following:

- an up-to-date plan of survey clearly showing all relevant data;
- a statement of the positions taken by the mortgagor and the Approved Lender;
- a statement of the current appraised value, the current purchase price (if applicable), and the total amount of the mortgage(s) involved;
- a statement outlining what attempts have been made (with or without success) to minimize the problem, or to obtain a reduction of the purchase price;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Objectionable Defects	2
		1993-11-12

REQUEST
REQUIREMENTS
(Cont'd)

- copies or detailed statements of what evidence can be deposited on title to minimize the problem with special attention to the period of time for which encroachments have existed;
- an explanation of what can be done physically without significant assets to remove the defect without interfering with the proper use or the value of the property;
- an opinion of the solicitor relating directly to the application of subsection 44(3) of the National Housing Loan Regulations; and
- a statement of the effect of the presence or absence of the defect on the appraised value.

CORRECTION OF
DEFECT

The Approved Lender and the solicitor may find that in properly preparing a request for approval the defect can be entirely corrected, making the Regulatory waiver apply.

In this case, no request for approval needs to be made.

Some typical methods of correcting defects include:

- correcting the legal description to match the survey;
- obtaining quit claim deeds;
- establishing possessory title;
- establishing lawful non-conforming use;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Objectionable Defects	3
		1993-11-12

CORRECTION OF
DEFECT
(Cont'd)

- obtaining, for a violation of municipal title, a letter from the clerk (which can be supported by survey evidence) that such violations are common and of long standing in the neighbourhood, and the municipality has not taken and has no intention of taking any action against them;
- obtaining specific statutory declarations (the "standard form" of declaration of possession is usually insufficient) indicating the intentions of the declarants pertaining to the relevant facts;
- obtaining a court ruling on a vendor and purchaser application to which all other relevant persons have been made parties; and
- obtaining approval by a Committee of Adjustment.

CMHC MORTGAGE LOAN INSURANCE

Section TITLES	Subject Non-Defects in Title	Page 1 1993-11-12
-----------------------	-------------------------------------	-----------------------------

INTRODUCTION

CMHC does not consider restrictive covenants running with the land as title defects.

NON-COMPLIANCE

If construction does not comply with the covenants, CMHC approval does not make it do so. Both the owner and Approved Lender continue to be at risk.

In such circumstances, the Approved Lender must be satisfied that construction does or will comply, or alternatively, obtain confirmation that the restriction has been waived by the other party.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Title Insurance	1
		1993-11-12

INTRODUCTION

Title Insurance is an acceptable method to ensure compliance with CMHC's requirements and may be purchased by the Approved Lender in fulfilling its responsibility regarding adequacy of title.

ACCEPTABILITY

The Approved Lender may purchase Title Insurance in all circumstances where compliance with acceptable title is required by CMHC for purposes of mortgage loan insurance including, as may be required, for NHA Mortgage-Backed Securities.

The Title Insurance policy must be beneficial and assignable to CMHC, and to a subsequent lender in the event of sale of the mortgage or in the event of an MIF claim.

REQUIREMENTS

A policy of Title Insurance will be deemed acceptable to CMHC provided it meets the following criteria:

- it is issued by a duly licensed insurance company entitled to conduct such business in the jurisdiction where the property is located;
- the insuring provisions for both an owner and Approved Lender policy must cover loss or damage:
 - . due to the fact that a valid title to the mortgaged property cannot be obtained by the Approved Lender;
 - . as a result of the title being of an inferior quality than required by CMHC, pursuant to the terms and conditions of the loan insurance arrangements with CMHC;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Title Insurance	2
		1994-12-23

REQUIREMENTS
(Cont'd)

- . against any defect, lien or encumbrance on the title, or lack of right of access to or egress from the mortgaged property, unless otherwise acceptable to CMHC;
- . which are against title defects other than unobjectionable defects described in II 0602-03;
- . against unmarketability of title to the mortgaged property.
- the insuring provisions in the case of an Approved Lender policy should also include coverage against loss or damage due to:
 - . the invalidity or unenforceability of the insured mortgage;
 - . any lien or encumbrance ranking in priority over the insured mortgage.
- the exclusions do not conflict with any of CMHC's guidelines as to acceptable title or unobjectionable title defects, listed in II 0602-02;
- the following exclusions with respect to title are acceptable:
 - . expropriation matters unless notice of the exercise of such power appears in the public records;
 - . defects, liens, encumbrances or other matters that are created, assumed or agreed to by the Insured;
 - . defects, liens, encumbrances or other matters not known to the Insurer, not shown on the public record but known to the Insured;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
TITLES	Title Insurance	3
		1994-12-23

REQUIREMENTS
(Cont'd)

- . matters resulting in no loss to the insured;
- . defects, liens, encumbrances, adverse claims or other matters created subsequent to the date of the Title Insurance Policy.
- at the claim settlement stage, Approved Lenders are to assign the Title Insurance policy to CMHC, subject to CMHC's satisfaction with the policy;
- the purchase of Title Insurance at initiation does not relieve the Approved Lender from providing CMHC or a subsequent purchaser clear and marketable title at the claim stage.

SURVEYS

A Survey Certificate is still required unless the policy of title insurance specifically covers against defects that would have otherwise been disclosed had a Survey Certificate been obtained.

A title insurance policy could also, at the Approved Lender's discretion and with the concurrence of the insurer, cover against losses that could ensue as a result of inaccuracies and defects in a Survey Certificate.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page 1
TITLES	Approved Lender's Warranty on Title	1994-02-25

INTRODUCTION

The Approved Lender may warrant that the title of the security is acceptable to CMHC.

POLICY

The Approved Lender may warrant that the title to the property is good and marketable, free and clear of all defects.

In such circumstances the Approved Lender continues to assume full responsibility for ensuring clear and marketable title and to save CMHC harmless from any losses and damages resulting from defects other than those CMHC considers as being unobjectionable.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CERTIFICATES	Overview	1
		1992-11-02

INTRODUCTION

A surveyor's certificate, for new construction, is a requirement for loan security.

SURVEYOR'S
CERTIFICATES

A certificate defining property lines and any encroachments must be obtained as part of the loan application for new construction loans.

(0603-02)

EXISTING HOUSING
CERTIFICATES

A surveyor's certificate made for a previous mortgage can be used for the current mortgage application provided no property changes have been made since the certificate was prepared.

(0603-03)

L'ASSURANCE-PRÊT HYPOTHÉCAIRE SCHL

Section	Sujet	Page
CERTIFICATES	Surveyor's Certificates	1
		1994-12-23

INTRODUCTION

Details follow regarding a surveyor's certificate.

REQUIREMENT

For loan security, CMHC requires the Approved Lender to obtain a surveyor's certificate or sketch showing or reciting:

- the distances of the project from the lot line; and
- any apparent encroachments on the property.

SIMILAR CERTIFICATES

If requiring a surveyor's certificate represents a hardship in delay or expense to the borrower, CMHC may approve a request from the Approved Lender to accept a similar certificate from a civic engineer, or other competent person who may be an employee of the Approved Lender.

The fee charged may not exceed that generally charged by registered surveyors.

Such requests are only on a case by case "exceptional" basis, because of the importance of the survey in the mortgage security process.

TITLE
INSURANCE

See "Surveys", II 0602-05 page 3.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CERTIFICATES	Existing Housing Certificates	1
		1992-11-02

INTRODUCTION

The Approved Lender may use an existing surveyor's certificate.

ACCEPTANCE

The Approved Lender may accept the surveyor's certificate, or a copy of it, as prepared for an earlier mortgage transaction, if satisfied that there have been no subsequent improvements or alterations to the subject property, or adjoining properties, which might have created encroachments.



CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Overview	1
		1992-11-02

INTRODUCTION

This Chapter covers property considerations such as availability and quality of wells and septic tanks, proximity to rail and airport noise, and selection of building sites which may affect NHA financing.

The subjects are overviewed below. Refer to location number for further details.

WELLS

The availability of private or shared wells and sewage disposal must meet residential standards.

(0604-02)

SEPTIC TANKS

Provincial and municipal approval must be made prior to NHA financing, regarding septic tanks.

(0604-03)

ROAD AND RAIL NOISE

This subject outlines the existing policy regarding road and rail noise.

(0604-04)

AIRPORT NOISE

Policy regarding new construction and the need for sound insulation is described.

(0604-05)

FLOOD RISK LENDING

Agreement with several provinces is in effect regarding the identification of flood-prone areas.

(0604-06)

RECLAIMED LAND SITES
(METHANE GAS)

Investigation of proposed landfill sites must be made to ensure proper measures have been taken to prevent the production of methane gas.

(0604-07)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Wells	1
		1992-11-02

INTRODUCTION

Residential standards require that where public water supply and/or sewage disposal facilities are not available, the provision of private facilities to service each dwelling unit is a pre-condition of NHA financing.

PRIVATE WELL

Certificates are required certifying that an adequate supply of potable water is available.

Water quality (potability) is attested to by the local health officer.

Note: In areas where the water is not fit for human consumption without the use of filters or purifiers that form an integral part of the plumbing system, these filters and purifiers must be approved by the health officer.

Water quantity is attested to by the well driller.

Note: Where the well delivers less than 20 litres of water per minute over a 1 hour period, residential standards require that each housing unit be provided with 900 litres of cold water storage capacity.

SHARED WELLS

CMHC will insure a loan on a property supplied with well water from a source outside the property boundaries if satisfactory arrangements for the long-term use and maintenance of the well, pump, and supply lines have been made and run with the land.

Note: These arrangements are in addition to the normal requirements for quantity and quality.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Wells	2
		1992-11-02

SHARED WELLS
(Cont'd)

The arrangements require the negotiation of an agreement, registered on title, and providing for the maintenance of the entire system on a reasonable mutual or individual basis, and an easement for the supply lines.

The agreement:

- runs in perpetuity or until municipal water is available to the site;
- is in favour of the mortgagor, his/her heirs and assigns; and
- binds the owner, his/her heirs and assigns (including all existing mortgagees) of the adjoining land from which the water was being supplied.

ADVANCES

The Approved Lender is responsible for obtaining the required certificates prior to advancing funds. Copies of all certificates must be retained on the Approved Lender's file.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Septic Tanks New Construction	1
		1992-11-02

INTRODUCTION

CMHC insures loans on housing utilizing septic tanks if, in the opinion of CMHC, provincial or municipal certification with respect to soil and water pollution, septic system design, and installation, is acceptable.

Septic tank certificates are not required for existing construction, unless it is determined to be necessary. Requirements will be made known on a case by case basis.

CERTIFICATION -
PROVINCIAL/
MUNICIPALSoil and Water Pollution

Certification that the soil has the capacity to accommodate septic tank systems must be made.

Note: The certification is made on an area rather than an individual site basis.

Design

A certificate from the provincial or municipal authority having jurisdiction must accompany each loan application verifying that the design of the proposed system is acceptable.

Installation

The Approved Lender maintains a suitable holdback, pending receipt of certification from the responsible authority, that the system has been installed in accordance with requirements.

CERTIFICATION -
CMHC

Where provincial/municipal design and/or requirements are determined by CMHC to be inadequate, current CMHC design standards (available from local CMHC branches) are applied.

If necessary, the release of septic tank holdbacks will be subject to a CMHC installation inspection.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Road and Rail Noise	1
		1992-11-02

INTRODUCTION

"Road and Rail Noise: Effects on Housing" outlines the Corporation's Performance Standards for housing which is located close to a generator of noise (and financed under the NHA).

Note: This document may be read in conjunction with Site Planning Criteria.

OBJECTIVES

The objectives of the road and rail noise document are:

- to provide the required criteria enabling developers, builders, and designers to better determine the effects on housing, of severe noise sources;
- as a performance standard, to show how housing that is to be located near major roads and railways, can be better designed to create desirable residential environments; and
- to discourage the construction of residential development on sites subject to such severe noise exposure
 - that sound insulation costs are prohibitive, and
 - the outdoor environment is excessively noisy.

PROVINCIAL/MUNICIPAL
GOVERNMENT REQUESTS

A number of provincial and municipal governments have requested and received permission to use part/all of the performance standards.

The continued cooperation of all levels of government and private industry to use the criteria when preparing comprehensive land use plans is to be encouraged.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Road and Rail Noise	.2
		1992-11-02

POLICY

The disadvantages of a dwelling located near any noise source is usually reflected in the market value of the property, impacting the level of available financing.

To prevent hardship to vendors and purchasers, CMHC takes into consideration the cost of noise reduction measure. This is reflected in the market value.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Airport Noise	1
		1992-11-02

INTRODUCTION

The CMHC airport noise policy is a plan relating the level of airport noise to which a site may be exposed, to:

- the availability of NHA financing;
- the need for special sound insulation; and
- if fundable, the level of NHA financing available.

POLICY FOR NEW
CONSTRUCTION

	NHA	NHA
Noise Forecast Zones Identified by Transport Canada	Social Housing Loans	Market Housing Loans
Upper (High Noise Exposure)	Not Available	Not Recommended
Intermediate (Some Low-level Noise Exposure)	Available if Sound Insulation Installed	Acceptable with Sound Insulation
Lower (Some Noise Nuisance to Some People)	Available - CMHC recommends sound insulation and requires some in areas bordering intermediate zones	Acceptable

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Airport Noise	2
		1992-11-02

EXISTING HOUSING

No special restrictions on sound insulation are imposed. It is assumed that the existence and extent of a noise nuisance is reflected in the market value. Refer to 0604-04.

SOUND INSULATION

To determine the need of sound insulation, refer to CMHC publication NHA 5185 (New Housing and Airport Noise) for various methods and sample calculations.

APPLICATION

For Social Housing loans, application of CMHC noise policy is mandatory.

For Market Housing loans, CMHC noise policy is recommended on an advisory basis only, as it affects:

- the extent of the noise problem; and
- the corrective measures agreed to by the proponent.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Flood Risk Lending	1
		1992-11-02

INTRODUCTION

In February, 1975, the Federal Cabinet approved the National Flood Damage Reduction Program.

The program is effected through agreements with the provinces to reduce future flood damage.

Approved Lenders should consult the CMHC Branch Office concerning the policy and its loan application.

PROGRAM DESCRIPTION

The National Flood Damage Reduction Program involves:

- identification and mapping in flood-prone areas; and
- adaptation of government policies and programs to discourage flood vulnerable investment on the flood plain.

AGREEMENT WITH PROVINCES

Agreements have been signed with governments of New Brunswick, Quebec, Manitoba, Saskatchewan, Nova Scotia and Ontario.

These agreements call for the mapping of flood-prone areas as specified in the agreements.

After the maps have been prepared, they are submitted to the Federal Minister of the Environment and the Provincial Minister with the recommendation that the area be designated a flood risk.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Flood Risk Lending	2
		1992-11-02

FLOOD RISK AREA
DESIGNATION

Upon designation by the Federal Minister:

- all federal departments and agencies are committed not to construct or support construction of flood vulnerable undertakings in those areas.

Note: CMHC, specifically, will not "extend financial assistance, whether by loans, contribution, guarantee, insurance or otherwise, under the National Housing Act with respect to any further undertakings in the designated areas that are vulnerable to flood damage."

- provincial authorities would adapt a similar policy. They would also encourage zoning by municipalities on the basis of the flood risk maps.

Note: The federal government abides by such zoning as it relates to flood risk.

Housing projects previously built, or on which construction was commenced, or was authorized, by the municipality, to be commenced, prior to the date of designation, may be financed under the NHA.

FEDERAL DISASTER
ASSISTANCE

Federal disaster assistance for flood damage would be denied to all new development following designation of the area.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOT SERVICES	Reclaimed Land Sites (Methane Gas)	1
		1992-11-02

INTRODUCTION

Rising land costs and the shortage of available land for buildings has resulted in the development of sanitary landfills and reclaimed garbage dumps for construction purposes.

The main problem of such development is with methane gas. It is a highly flammable gas formed by biological decomposition of refuse.

POLICY

Where artificial fill is known to exist, a site investigation must be conducted to establish the limits, depth and characteristics throughout.

The objective of such an investigation is to assure an adequate base for foundation, and to ensure there are no noxious or flammable gases on or near the property.

EVIDENCE OF METHANE
GAS

Sanitary landfill sites or garbage dumps where there is evidence of methane gas will not be accepted by CMHC for mortgage loan insurance purposes.

If methane gas is identified in an existing project, professional assistance should be sought to safeguard the building.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
WATER QUALITY	Overview	1
		1992-11-02

INTRODUCTION

Some submersible well pumps have been identified as possibly containing PCBs.

GENERAL

If a submersible well pump is situated on property having a deficiency claim against it, the Approved Lender must take specific action regarding the pump.

(0605-02)

AUTHORITIES

A list of Provincial and Territorial water-quality authorities to whom all questions should be referred is provided.

(0605-03)

PUMPS POSSIBLY
CONTAINING PCBs

Types and identification of pumps and motors are detailed.

(0605-04)

PUMP MANUFACTURERS

A list of manufacturers producing submersible well pumps is provided.

(0605-05)

WELL CERTIFICATES

The policy regarding the timing of obtaining well certificates is provided.

(0605-06)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
WATER QUALITY SUBMERSIBLE WATER PUMPS WITH PCBs	General	1
		1992-11-02

INTRODUCTION

Environment Canada has advised all federal departments and agencies that some submersible, oil-cooled, domestic well water pumps manufactured between 1964 and 1980 may contain oil contaminated with polychlorinated biphenyls (PCBs).

POLICY

For all properties where the Deficiency Claim Settlement Process will be utilized, the Approved Lender must ensure the following action is taken:

- determine status of property with respect to well and pump; i.e. Is there a well? Does it have a submersible pump? Is the pump one of the models susceptible to leaking PCBs?
- have well water tested by provincial authority when an affected pump is found;
- replace affected pump; purge system, if required, in accordance with the instructions of the provincial authority;
- sell property at market price once above is completed; and
- consider all expenditures for this process as major repairs. Refer to Insurance Servicing manual for further details.

EXISTING UNITS

Current underwriting policies and guidelines remain the same for existing homeownership units.

Where the presence of a submersible well water pump is identified, CMHC encourages Approved Lenders to advise the applicant of the information contained in this section.

CMHC MORTGAGE LOAN INSURANCE

Section WATER QUALITY SUBMERSIBLE WATER PUMPS WITH PCBs	Subject General	Page 2 1995-12-20
--	--------------------	-------------------------

ENQUIRIES

Questions should be directed to:

Director
Insurance Products Division
Canada Mortgage and Housing Corporation
National Office
700 Montreal Road
Ottawa, Ontario
K1A 0P7

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
WATER QUALITY SUBMERSIBLE WATER PUMPS WITH PCBs	Authorities	1
		1992-11-02

INTRODUCTION

Refer all questions regarding submersible well pumps to the appropriate water-quality authority listed below.

PROVINCIAL/
TERRITORIAL
AUTHORITIES

Newfoundland Department of Environment and Land
(709) 729-2568

Prince Edward Island Department of Environment
Water Resources Branch
(902) 368-5028

Nova Scotia Department of Environment
(902) 424-5300

New Brunswick Department of Health
(506) 452-2406

Environment Quebec
(418) 644-3574

Ontario Ministry of Environment
(416) 323-4941

Manitoba Department of Environment
(204) 945-7100

Saskatchewan Water Corporation
Regional Offices (located in North Battleford,
Outlook, Swift Current, Moose Jaw, Weyburn and
Nipawin) (306) 694-3900

Alberta Department of Environment
(403) 427-6231

B.C. Ministry of Environment
(604) 387-9955

Medical Environmental Health Services Branch
Department of National Health & Welfare
Yukon Territory
(403) 668-6461

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
WATER QUALITY SUBMERSIBLE WATER PUMPS WITH PCBs	Authorities	2
		1992-11-02

PROVINCIAL/
TERRITORIAL
AUTHORITIES
(Cont'd)

Northwest Territories Department of Municipal
and Community Affairs
(403) 873-7644

CMHC MORTGAGE LOAN INSURANCE

Section WATER QUALITY SUBMERSIBLE WATER PUMPS WITH PCBs	Subject Pumps Possibly Containing PCBs	Page 1 1992-11-02
--	--	-----------------------------

INTRODUCTION

This Subject describes the pumps that may contain PCBs.

TYPES OF PUMPS

Submersible rather than jet-type pumps

A submersible pump has a motor unit attached to a pump unit. Both are submerged in a well. This type of pump is used mainly in drilled wells and could contain PCBs.

Note: Jet pumps and other pumps with motors above ground (e.g. in basements) are not linked to PCBs in well water.

Submersible pumps with oil-filled motors

Pumps with oil-filled motors, particularly those manufactured between 1964 and 1980, could contain PCBs.

Note: Submersible pumps with water-filled motors and above ground capacitors do not contain PCBs.

IDENTIFICATION OF
PUMP AND PUMP
MOTORS

The following data should be obtained. Refer to 0605-05 for pump manufacturers.

Note: This information may be obtained from the pump control box, sales slip and warranty card for the pump or from the pump supplier or installer.

- Make of pump
- Model name and/or Model # of pump
- Year pump manufactured
- Serial number of pump
- Make of pump motor
- Model name and/or Model # of motor
- Serial number of motor
- Voltage
- Number of Electrical leads (2-wire or 3-wire)
(Do not include the green ground wire)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
WATER QUALITY SUBMERSIBLE WATER PUMPS WITH PCBs	Pumps Possibly Containing PCBs	2
		1992-11-02

PUMP OIL LEAKAGE

The water supply should be checked for possible pump oil leakage.

Signs of leakage of pump oils into water supplies include:

- drinking water that has a petroleum-like taste and odour; or
- an oil-like film on water and fixtures.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
WATER QUALITY SUBMERSIBLE WATER PUMPS WITH PCBs	Pump Manufacturers	1
		1992-11-02

INTRODUCTION

Environment Canada has advised all federal departments and agencies that some submersible oil-cooled well water pumps may contain oil contaminated with polychlorinated biphenyls (PCBs).

The following lists, "Domestic" and "Other", identify the pump manufacturers and the name of the motor manufacturers, in each case.

PUMPS WITH OIL-FILLED MOTORS

Names of domestic submersible well water pumps with oil-filled motors manufactured between 1964 and 1980 are listed.

Note: The source is the Environment Ontario Survey of pump industry.

<u>Name of Pump Manufacturer (pump name)</u>	<u>Name of Motor Manufacturer (motor name)</u>
Aeromotor (2)	Century Electric
Berkeley (2)	Century Electric
Burks (2)	Century Electric
F.E. Myers (before 77/78)	F.E. Myers
Jacuzzi (2)	Century Electric
Peabody Barnes	Peabody Barnes
Pumptron	Century Electric
Red Jacket (U.S.) (2)	Century Electric
Red Jacket (Canada) (4)	Red Jacket
REDA	REDA
Sears (64-78) (1,2)	Sta-Rite
Sta-Rite (U.S.)	Sta-Rite
Standard	REDA
Tait	Century Electric
Valley Pump (3)	Century Electric
Webtrol (2)	Century Electric
Wellmaster (2)	Century Electric

- (1) manufactured during this time only
- (2) used motor of more than 1 manufacturer
- (3) information from B.C. Ministry of Environment and Parks
- (4) before 1980, motor may contain a PCB-filled capacitor

CMHC MORTGAGE LOAN INSURANCE

Section WATER QUALITY SUBMERSIBLE WATER PUMPS WITH PCBs	Subject Pump Manufacturers	Page 2 1992-11-02
--	-----------------------------------	--------------------------

PUMPS WITH OTHER
MOTORS

Names of other submersible well water pumps with motors that could contain PCBs are listed.

Note: The source is from the U.S. (States of Wisconsin and New York.)

Name of Pump
Manufacturer
(pump name)

Name of Motor
Manufacturer
(motor name)

Clayton (before 79)
Colt-Fairbanks-Morse
Duro Corp (before 79)
Fairbanks-Morse
(before 79)
Johnson Water System
(before 80)
Lancaster
Montgomery Ward (62-72)
Rapidayton

TRW REDA
same
TWR REDA
same
?
Century Electric
?
Century Electric

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
WATER QUALITY	Well Certificates for Existing Housing	1
		1992-11-02

INTRODUCTION

The industry recognizes that assurance of potable water is a prudent underwriting practice. However, CMHC offices have indicated that obtaining well certificates creates long processing delays.

POLICY

For existing properties that are serviced by a well, CMHC does not require submission of an acceptable water potability certificate prior to mortgage insurance approval. As a condition of commitment, CMHC requires the Approved Lender to obtain an acceptable water potability certificate and retain on file.

Note: CMHC will not normally require a certificate attesting to adequacy of supply of potable water for existing housing.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RURAL PROPERTIES	Large Acreages	1
		1992-11-02

INTRODUCTION

Mortgage loan insurance is available for the residential component of acreage properties.

RESIDENTIAL
COMPONENT

Typical residential norms for the local area determine the acreage size along with a functioning residential unit that CMHC will consider for insurance purposes.

Acceptable acreages are considered based on typical rural residential properties for the area. Other factors taken into consideration for residential acreages include distance from metropolitan areas, local zoning and severance bylaws and other special requirements that could be necessary to keep the commercial component land value.

Each CMHC Branch office develops its own general guidelines based on local real estate characteristics. Please consult your local CMHC office for more information.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	1
		1996-04-13

INTRODUCTION

CMHC will not provide mortgage loan insurance for properties where there is evidence or confirmation of soil or ground water contamination. The only exception is where there is a formal risk management agreement in place between the municipality and the provincial or territorial environmental authority.

Evidence of contamination is determined by an environmental site assessment (ESA).

Phase I environmental site assessments conducted in support of an application for CMHC mortgage loan insurance must conform to the Canadian Standards Association (CSA) standard Z768, "Phase I Environmental Site Assessment".

DEFINITIONS

The CSA standard Z768 defines Contamination as "the presence in soil, groundwater, air or structures of a material or condition that may adversely affect human health or the natural environment (e.g. soil, water, land, buildings). Contamination criteria shall be established with regard to appropriate regulatory requirements."

In determining acceptability of property for CMHC mortgage loan insurance, soil contamination will be assessed against the provincial or territorial residential criteria for soil, even where the mortgage insurance application pertains to a project which is intended for mixed use, e.g. residential/commercial.

Where drinking water is supplied by a well, ground water contamination will be defined in terms of the provincial or territorial criteria for drinking water. Where there is a municipal or other off-site water supply, ground water contamination will be defined according to the provincial or territorial criteria for freshwater aquatic life.

CMHC MORTGAGE LOAN INSURANCE

Section ENVIRONMENTAL FACTORS	Subject Requirement for Environmental Site Assessments	Page 2 1996-04-13
-------------------------------------	---	-----------------------------

DEFINITIONS
(cont'd)

In provinces or territories which do not have environmental quality criteria, the "Canadian Environmental Quality Criteria for Contaminated Sites" as published by the Canadian Council of Ministers of the Environment will be the criteria used by CMHC to define "contaminated". Soil contamination will be defined according to the CCME residential/parkland criteria for soil. Ground water contamination will be defined according to the CCME drinking water criteria where water is supplied by a well, or by the CCME freshwater aquatic life criteria where the water is supplied by an off-site source.

REQUIREMENT FOR
SITE ASSESSMENT

CMHC requires environmental site assessments under certain circumstances before a mortgage loan insurance application can be approved:

Loans involving more than six housing units:

If the number of housing units indicated on the mortgage loan insurance application is greater than six, an environmental site assessment is always required.

Loans with six or fewer housing units:

Under the following circumstances, an environmental site assessment will be required by CMHC for loans where the number of units shown on the mortgage loan insurance application is six or fewer:

- (i) In all new construction multi-storey condominium projects, and multi-storey condominium conversions, an environmental Site assessment must be provided before CMHC will provide mortgage loan insurance for any unit in the project. In this context, the term "conversion" refers to projects being converted from rental tenure to condominium tenure, as well as projects previously registered as condominium but which were operating as rental projects.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	3
		1996-04-13

REQUIREMENT FOR
SITE ASSESSMENTS
(cont'd)

The requirement for an environmental site site assessment applies to any building which is still being marketed by the developer, even where units may be re-selling before all of the units are sold by the developer. Once the project is sold out, an environmental site assessment will be required only for mortgage loan insurance applications involving more than six units under one loan.

It is intended that the environmental site assessment will be obtained from the developer or other party which is marketing the project, rather than from an individual purchaser.

The Approved Lender recommendation, as described in this section of the Handbook under the heading "APPROVED LENDER ROLE", will be required only for the first mortgage loan insurance application submitted by each Approved Lender in a given project. Once an Approved Lender has provided its recommendation that a project appears to comply with CMHC's environmental policies, it will not be necessary for that Approved Lender to repeat its recommendation for subsequent units in the same project.

There are emerging tenure forms, such as life lease and co-ownership, which are similar to condominium projects in the sense that they involve purchases of individual interests in multiple unit projects. For the purpose of determining when an environmental site assessment is required, life lease and co-ownership projects will be treated the same as condominium projects.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	4
		1996-04-13

REQUIREMENT FOR
SITE ASSESSMENT
(cont'd)

- (ii) Where the mortgage loan insurance application involves six or fewer units and does not involve a new construction multi-storey condominium project or a condominium conversion as described above in (i), an environmental site assessment will be required only if the Approved Lender or CMHC is aware of obvious environmental hazards, or of factors which may indicate potential environmental problems (e.g. housing built on old landfill sites, or adjacent to a service station, or on a former industrial site, or other factors that are often associated with soil or ground water contamination).

SITE
ASSESSMENT
CRITERIA

Phase I environmental site assessments must be carried out in accordance with the principles and procedures described in the Canadian Standards Association Document "Z768, Phase I Environmental Site Assessment".

Copies of the CSA document Z768 may be purchased from the Canadian Standards Association at: 178 Rexdale Blvd.

Rexdale, Ontario M9W 1R3

Telephone: (416) 747-4044

Fax: (416) 747-4149

The CSA Z768 standard defines several potential uses of Phase I environmental site assessments. The use defined in Section 4.1.1., "Financial", of the CSA document most closely describes the purpose of assessments carried out in support of CMHC mortgage loan insurance applications.

The environmental site assessment (ESA) must be performed by an experienced assessor who has the qualifications listed in Section 3.4 of CSA Z768. In addition, CMHC requires the assessor to carry errors and omissions insurance (or professional liability insurance) which covers liabilities associated with environmental site assessment activities.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	5
		1996-04-13

SITE ASSESSMENT
CRITERIA (cont'd)

The results of the Phase I environmental site assessment must be communicated to CMHC in a written report, as described in Section 10 of the CSA standard Z768.

Appendices A and B of the CSA standard Z768 provide guidance on Phase II ESA's and remedial investigations (often referred to as Phase III ESA's). These guidelines are to be followed when an environmental site assessment beyond Phase I is required to support a CMHC mortgage loan insurance application.

APPROVED
LENDER
ROLE

The Approved Lender must inform the borrower of CMHC's requirements for environmental assessments. The Approved Lender will review the environmental site assessment report to determine if it meets CMHC's requirements.

The CMHC publication "Phase I Environmental Site Assessment Interpretation Guidelines" provides step-by-step guidance in the review of Phase I ESA's. It may be obtained from the nearest CMHC Branch Office, or ordered from the Canadian Housing Information Centre, CMHC National Office, 700 Montreal Road, Ottawa, Ontario K1A 0P7. Telephone (613) 748-2367.

If the report indicates potential soil or ground water contamination, and/or a requirement for further study, the Approved Lender should not forward the mortgage insurance application to CMHC.

If the report appears to comply with CMHC's requirements, and the consultant's conclusion is that there is no evidence of contamination in connection with the property, the Approved Lender is to provide a recommendation to CMHC that the project appears to comply with CMHC's environmental policies.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	6
		1996-04-13

APPROVED
LENDER ROLE
(continued)

The local CMHC Branch Manager will make the final determination of the site's acceptability for mortgage loan insurance. Once the mortgage loan insurance application has been approved, CMHC will honour its commitment under the mortgage loan insurance policy.

BORROWER
DISCLOSURE

CMHC does not require the Approved Lender to request a disclosure from the borrower. The site assessment performance criteria require the environmental consultant to interview persons who may have knowledge of the site, e.g. neighbours, vendors, employees, property managers, previous owners, or the borrower where appropriate.

Any relevant information which is obtained through these interviews is to be included in the environmental assessment report; therefore a borrower disclosure is not necessary.

APPLICATION
PROCESSING

Environmental information is essential to the mortgage loan insurance underwriting process for projects with more than six units, therefore the mortgage loan insurance application should not be submitted to CMHC until the environmental assessment report has been completed. If the environmental site assessment report concludes that there is no evidence of contamination in connection with the property, the application for mortgage loan insurance will be processed in the usual manner.

If the environmental consultant concludes that there is evidence of potential or actual contamination in connection with the property, and that further investigation is warranted, the mortgage loan insurance application cannot be reviewed by CMHC until the problem has been fully assessed.

If the additional investigation concludes that there is no evidence of soil or water contamination, CMHC requires a written environmental assessment report which confirms the consultant's findings.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	7
		1996-04-13

APPLICATION
PROCESSING
(continued)

The consultant must provide a clear opinion that the soil and ground water samples do not contain contaminants in concentrations which exceed the **applicable** environmental quality criteria for residential use.

If this further investigation verifies that the site is contaminated, the mortgage loan insurance application will be rejected. A new application may be submitted once the environmental problem has been remedied to CMHC's satisfaction (see "Formerly Contaminated Sites"), or a risk management plan has been approved by the provincial or territorial environmental authority. (See "site with Approved Risk Management Plans" below).

COST OF
ASSESSMENT

The cost of the environmental site assessment is the responsibility of the applicant. The cost of the environmental site assessment may be included in the insured loan amount, to the extent that it can be accommodated within the maximum available insured loan amount.

FORMERLY
CONTAMINATED
SITES

Unless there is a formal risk management plan in place, as described below in "Sites with Approved Risk Management Plans", a contaminated site must be remediated before CMHC will consider providing mortgage loan insurance. In the case of a formerly contaminated site, CMHC will consider providing mortgage loan insurance after the environmental problem has been satisfactorily remedied, subject to the following conditions.

CMHC must be provided with an environmental assessment report which provides an independent professional opinion that the environmental problem was remedied in compliance with provincial or territorial guidelines, and the soil and water no longer have contaminants in levels, concentrations or amounts which exceed the residential criteria of the provincial or territorial environmental authority.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	8
		1996-04-13

FORMERLY
CONTAMINATED SITES
(continued)

In provinces or territories which do not have environmental quality criteria, the acceptability of the site must be assessed in terms of the environmental quality criteria of the Canadian Council of Ministers of the Environment (CCME).

The acceptability of the soil will be determined by using the CCME residential/parkland remediation criteria for soil. The acceptability of the water will be determined by using the CCME freshwater aquatic life criteria where the water supply is off-site, and the CCME drinking water criteria if the subject property obtains drinking water from a well on the site.

Where the remediation was ordered by the provincial or territorial environmental authority, CMHC will require confirmation by that authority that their requirements have been complied with, and that they have no outstanding concerns. In all other cases, CMHC will rely upon the opinion of the environmental consultant.

Once the remediation has been completed, the associated costs may be included in the insured loan amount, to the extent that they can be accommodated within the maximum available insured loan amount.

SITES WITH
APPROVED RISK
MANAGEMENT PLANS

Mortgage loan insurance may be provided on sites with contaminants in amounts exceeding the applicable environmental quality criteria, only under the following conditions:

- the provincial or territorial environmental authority has approved an environmental risk management plan in place of site remediation;
- the municipality has agreed to the plan; and

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	9
		1996-04-13

SITES WITH
APPROVED RISK
MANAGEMENT PLANS
(continued)

- the borrower is informed by the Approved Lender of the existence of the environmental risk management plan, and of its availability from the environmental authority.

RENEWALS

Environmental site assessments are not required for renewals of mortgages which are already insured, or refinancing of insured loans where there is no loan increase, even where there is a change of Approved Lender.

REFINANCING

For refinancing applications, where the loan amount is being increased, the environmental site assessment requirements are the same as for new applications.

MORTGAGE
CLAUSES

Whether the Approved Lender uses its own mortgage documents or the CMHC 1000 series document, the inspection provisions contained in the mortgage documentation may not be adequate to permit an Approved Lender to enter a property after loan approval to carry out any environmental investigation beyond Phase I, involving intrusive tests (e.g. boreholes for soil and water samples).

The following clause explicitly gives the Approved Lender the right to enter the property at any time to carry out any environmental investigations which are deemed necessary.

This clause, or wording which in the opinion of the Approved Lender meets the same objective, must be included within the legal documentation securing any CMHC loan, regardless of the number of housing units involved. The only exception to this requirement is for cases, such as individual condominium units or leasehold, where the borrower does not have the authority to grant access to the "said lands".

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	10
		1996-04-13

MORTGAGE
CLAUSES
(cont'd)

The clause reads as follows:

"The Mortgagee or agent of the Mortgagee or agent of Canada Mortgage and Housing Corporation (hereinafter called "CMHC") may, at any time, before and after default, and for any purpose deemed necessary by the Mortgagee or CMHC, enter upon the said lands to inspect the lands and buildings thereon.

Without in any way limiting the generality of the foregoing, the Mortgagee or CMHC (or their respective agents) may enter upon the said lands to conduct any environmental testing, site assessment, investigation or study deemed necessary by the Mortgagee or CMHC and the reasonable cost of such testing, assessment, investigation or study, as the case may be, with interest at the mortgage rate, shall be payable by the Mortgagor forthwith and shall be a charge upon the said lands. The exercise of any of the powers enumerated in this clause shall not deem the Mortgagee, CMHC or their respective agents to be in possession, management or control of the said lands and buildings."

BORROWER
COVENANTS

The only covenant prescribed by CMHC with respect to environmental matters is a requirement for the borrower to comply with all environmental legislation, regulations, etc. Any references to compliance with law in the legal documentation securing the mortgage must specify "including, without limiting the generality of the foregoing, the protection of the environment and public health and safety", or wording which in the opinion of the Approved Lender, meets the same purpose.

CMHC does not require any additional environmental covenants or warranties, but will not object to the Approved Lender requiring them.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ENVIRONMENTAL FACTORS	Requirement for Environmental Site Assessments	11
		1996-04-13

NATURAL
CONTAMINANTS

Naturally occurring contaminants, e.g. radon, are common in many areas of Canada. This is a public health matter. Local CMHC managers will liaise with the applicable local authority to determine if any special measures are required to address these contaminants. Where, for example, special measures such as the installation of a soil gas venting system, is prescribed by the authority having jurisdiction, the local CMHC manager will determine whether mortgage loan insurance approval will be conditional upon such measure being taken.

EXISTING
BUILDINGS

An environmental site assessment includes an inspection of the interior and exterior of existing buildings for indications of contamination.

Some items are identified in the CSA Z768 document as "Special Attention Items". The presence of one or more of these items in an existing building will not necessarily preclude the approval of CMHC mortgage loan insurance, where the item does not pose a risk of soil or ground water contamination.

However, CMHC approval of mortgage insurance may be made conditional upon the removal or other acceptable management of substances classified by CSA as "Special Attention Items".

Note: While urea formaldehyde foam insulation (UFFI) is included in the CSA list of "Special Attention Items", CMHC does not require any remedial action to be taken if UFFI is identified in an environmental site assessment.



CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPROVED LENDER DESIGNATION	Chapter Overview	1
		1994-02-16

INTRODUCTION

This Chapter provides information on Approved Lender **designation**.

The following are the different subjects covered in this Chapter:

How to Obtain Approved Lender Designation	
CMHC Requirements	(0702-01)
CMHC Criteria	(0703-01)
Renewal of Approved Lender Designation	(0704-01)
Retention of Approved Lender Designation	(0705-01)
Approved Lenders Under Restrictions	(0706-01)
Fee Schedule for Management of Approved Lender Network	(0707-01)
Mortgage Correspondents	(0708-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPROVED LENDER DESIGNATION	General	1
		1994-02-16

INTRODUCTION

An NHA Approved Lender is authorized to lend money on the security of real or immovable property as well as manufactured homes on sites with short term leases and to make loans under the National Housing Act.

An Approved Lender may be any of the following:

- bank
- loan, insurance, trust or other company or corporation
- trustee or trust fund
- building society
- credit union or other co-operative credit society.

CATEGORIES

There are two categories of Approved Lender **designation** which are given according to the area of expertise of the applicant. They are:

Full designation - permits an Approved Lender to initiate both homeowner and multi-family loans, and to administer the related mortgages.

Limited designation - permits an Approved Lender to initiate and/or administer loans in accordance with its area of expertise.

LENGTH OF DESIGNATION

Approved Lender designation is given for a term of no less than one year and no more than five years.

APPLICATION

All applicants must complete the "Application to Become an NHA Approved Lender", CMHC 2919 or "Application to Become an NHA Approved Lender - Sponsored Credit Unions", CMHC 2921.

CMHC MORTGAGE LOAN INSURANCE

Section APPROVED LENDER DESIGNATION	Subject General	Page 2 1995-12-20
---	--------------------	-------------------------

APPLICATION
(Cont'd)

The applicant must submit the form and all
supportive documents to the:

Director
Insurance Products Division
Canada Mortgage and Housing Corporation
700 Montreal Road
Ottawa, Ontario
K1A 0P7

Telephone: (613) 748-2000
Fax: (613) 748-2606

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CMHC REQUIREMENTS	General	1
		1994-02-16

INTRODUCTION

To obtain Approved Lender **designation**, all new applicants must meet the following CMHC requirements as well as CMHC criteria (See Section 0703-01).

INCORPORATION

The **applicant** must be provincially or federally incorporated under the Bank Act, Trust Companies Act, Loan Companies Act, Insurance Companies Act, or equivalent provincial legislation.

COPIES OF DOCUMENTS

Provide copies of incorporation documents and letters patent which state that the company is legally authorized to make and administer mortgage loans secured by real or immovable property.

FINANCIAL
STATEMENTS

Provide audited financial statements for the last three fiscal years. Where there is a parent company, for the last two years.

CAPITAL STOCK

Have a minimum of \$1,000,000 of unimpaired paid-up capital stock.

CREDIT REPORT

Provide a recent business credit report prepared by a credit agency.

GOOD STANDING

Be in good standing with other governmental regulating and controlling agencies.

Provide a copy of the most recent letter of examination from the regulatory agencies and a copy of the company's response.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CMHC REQUIREMENTS	General	2
		1994-02-16

EXPERIENCE

Have a minimum of three years' experience in the residential mortgage lending business in Canada. This requirement can be waived if the applicant is:

- a subsidiary of an existing Approved Lender, and where the parent is fully accountable for the performance of the subsidiary to the satisfaction of the Corporation; or
- a duly incorporated company with paid-up capital of at least \$5,000,000, and mortgage officers with at least ten years of satisfactory mortgage experience.

MEMBERS OF THE
BOARD OF DIRECTORS

Provide a list of members of the Board of Directors with their present employment and positions and the name of other companies in which they hold directorships.

CURRICULUM VITAE

Provide the curriculum vitae of Mortgage Officers who will be involved in NHA lending and mortgage administration.

FIDELITY BOND

Provide written proof that all officers and employees are covered by a fidelity bond in an amount at least equal to their financial exposure.

MANUAL/GUIDELINES

Provide their mortgage underwriting and administration policy manuals and operating guidelines as requested on the application form.

BUSINESS PLAN

Provide a copy of their strategic business plan.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CMHC REQUIREMENTS	General	3
		1994-02-16

LEVEL OF ACTIVITY

Agree for an initial period, that the minimum level of activity be commensurate with the Corporation's expectations. This is determined by the type of applicant and past experience of the applicant in the residential mortgage market.

CREDITORS/REGULATORS

Provide a list of creditors and regulatory agencies including names, addresses and telephone numbers.

CURRENT PORTFOLIO

Provide information on their current residential mortgage portfolio as outlined in the application form.

OTHER SUPPORTING
INFORMATION

Provide any other supporting information as deemed necessary, and authorize creditors and regulatory government agencies to provide related information.

APPLICATION FEE

Include the non-refundable application fee payable to CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CMHC CRITERIA	General	1
		1994-02-16

INTRODUCTION

To obtain Approved Lender **designation**, all new applicants must meet CMHC criteria below.

SOUND INSTITUTION

Be a financially sound institution as determined by a review of the financial statements provided. These will show that the applicant is a viable concern indicating continued profitability and a sound growth trend.

TRACK RECORD

Have a satisfactory track record of at least three years in residential conventional loans activity.

ARREARS/FORECLOSURES

For the previous three years:

- the percentage of arrears of the conventional portfolio must be equal to or less than the national average of NHA Approved Lenders; and
- the foreclosure ratio of the residential conventional portfolio must be equal to or less than the national average of claims for similar risk of NHA insured loans.

This criteria could be somewhat modified if there is regional particularity that would support a ratio somewhat above the average of similar loans.

EXPERIENCE EXEMPTION
FOR SUBSIDIARY

A subsidiary would be exempt from the criterion requiring three years' experience in the related field of activities if:

- the parent company continues to meet the requirements, policies and criteria concerning the granting and retention of Approved Lender **designation**;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CMHC CRITERIA	General	2
		1994-02-16

EXPERIENCE EXEMPTION
FOR SUBSIDIARY
(Cont'd)

- the subsidiary meets the other prescribed conditions related to granting of Approved Lender **designation**;
- the subsidiary has the expertise to both initiate and administer loans; or
- the subsidiary does not have the required expertise to administer loans, the parent company would be required to administer all NHA loans initiated by its subsidiary.

EXPERIENCE EXEMPTION
FOR NEWLY
INCORPORATED COMPANY

A new company would be exempt from the criterion requiring three years' experience in the related field of activities if the company:

- has paid-up capital of at least \$5,000,000;
- employs mortgage officers with at least ten years of satisfactory experience in conventional and insured lending, in positions commensurate with their current responsibilities; and
- recognizes it may be required to operate under the Interim Restrictions described in Lending Restrictions (0706-01), until a minimum of three years of experience is acquired.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CMHC CRITERIA	General	3
		1994-02-16

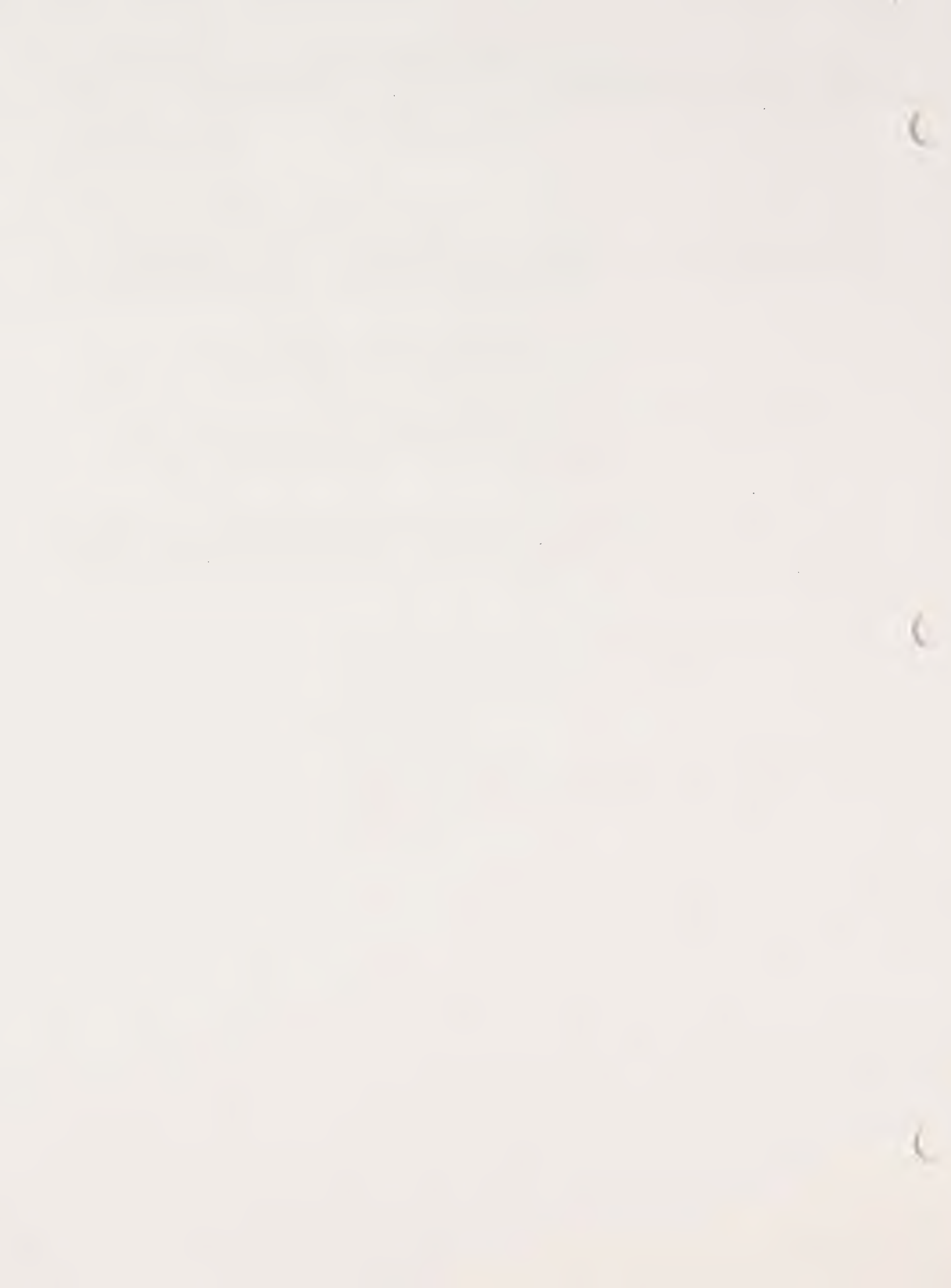
EXEMPTIONS FOR
CREDIT UNIONS/
CAISSES POPULAIRES

Individual credit unions/caisses populaires can obtain Approved Lender designation if they satisfy all requirements, policies, and criteria set out for obtaining Approved Lender designation.

If they do not, they can still obtain designation if they are sponsored by their respective Central or Fédération.

All credit unions/caisses populaires must complete the "Application to Become an NHA Approved Lender - Sponsored Credit Unions", CMHC 2921.

The credit union/caisse populaire must submit the form and all supportive documents to CMHC, through its respective Central or Fédération.



CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RENEWAL OF APPROVED LENDER DESIGNATION	General	1
		1994-02-16

INTRODUCTION

All Approved Lenders must apply for renewal of their Approved Lender designation three (3) months prior to the expiry date of their current designation.

CMHC OPTIONS

In order to ensure that an acceptable level of quality is maintained, all Approved Lenders will be subject to a review. The review and renewal of sponsored credit unions/caisses populaires will be carried out with the review and renewal of the sponsoring Central or Fédération.

At the end of the current designation and as a result of the review, the Approved Lender's authorities under the NHA may be:

- maintained;
- restricted;
- suspended; or
- cancelled.

CMHC NOTIFICATION
OF RENEWAL DATE

Prior to 1 April 1994, CMHC will inform all Approved Lenders of the date of their renewal.

LENGTH OF THE
RENEWAL TERM

The length of the Approved Lender's renewal term will be dependent on the assessment of profitability and risk profile.

RENEWAL FEE

Pay the non-refundable renewal fee to CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RETENTION OF APPROVED LENDER DESIGNATION	General	1
		1994-02-16

INTRODUCTION

Retention of the Approved Lender **designation** is conditional upon the Approved Lender:

- continuing to meet all the requirements and criteria **pertaining** to original designation;
- paying to CMHC all the required non-refundable fees (see Section 0707-01);
- acting in a prudent manner at all times; and
- demonstrating a continuing satisfactory overall performance in the underwriting and/or administration of loans.

Requirements for retention of Approved Lender **designation** follow.

By policy, the Approved Lender must:

FINANCIAL STATEMENTS

Submit its audited financial statements within six months following the end of its fiscal year.

FIDELITY BOND

Maintain fidelity bond coverage in reasonable relationship to maximum financial exposure of its employees.

VIABILITY

Continue to be a viable concern at all times.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RETENTION OF APPROVED LENDER DESIGNATION	General	2
		1994-02-16

CAPITALIZATION

Maintain the minimum capitalization requirement.

Note: In case of a change to this criterion, the Approved Lender will be given one year to meet the new capitalization requirement.

PROBLEMS

Correct identified problems in its operations within the time frame set by CMHC.

CHANGE IN OWNERSHIP

Advise CMHC if there is a change in principal ownership of the Approved Lender.

NOTIFICATION OF
CHANGES

Notify CMHC within 60 days of any matter concerning significant changes in company business residence, assignment of lending powers, or any major change in corporate structure that could affect the continuance of Approved Lender designation.

AVAILABILITY
OF FUNDS

Ensure that funds are available to fulfill obligations to borrowers and CMHC, and to cover off normal real estate investment risks.

RENEWAL OF
MORTGAGES

Renew mortgages at the end of term unless such renewal would be inappropriate due to the actions of the mortgagor.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RETENTION OF APPROVED LENDER DESIGNATION	General	3
		1994-02-16

MORTGAGE DOCUMENTS/
LOAN INSURANCE

Assign the mortgage documents and the mortgage loan insurance policy to the new Approved Lender (or CMHC as the case may be) if the borrower chooses to change lenders at the renewal of an NHA insured mortgage loan.

Note: Should an Approved Lender accept an assignment of an existing NHA insured mortgage and insurance policy, such acceptance indicates assumption of all rights and obligations of the original Approved Lender, as they relate to the requirements of the mortgage loan insurance policy.

NATIONAL HOUSING
LOAN REGULATIONS

The National Housing Loan Regulations set out specific requirements which Approved Lenders must follow.

CMHC INSPECTION

Make books, records, and accounts relative to NHA loans available to CMHC for inspection - Regulation 49.

ARM'S LENGTH
AGREEMENT

Make and administer NHA loans at arm's length - Regulation 48.1:

- an Approved Lender and a borrower shall be deemed to be not at arm's length if the Approved Lender and borrower are related persons within the meaning of subsection 251(2) of the Income Tax Act, R.S.C., 1952, c 148, as amended, or if the borrower:
 - owns shares in excess of 10% of the issued shares of any class of the capital stock of the Approved Lender, or otherwise has a financial interest other than a nominal interest therein;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
RETENTION OF APPROVED LENDER DESIGNATION	General	4
		1994-02-16

ARM'S LENGTH
AGREEMENT
(Cont'd)

- is, or any officer or shareholder thereof is, associated with the Approved Lender by reason of the holding of office, or membership in the Board of Directors of the Approved Lender;
- is participating as a principal with any shareholder of the Approved Lender where the objectives of such shareholders include lending on the security of real estate or the development of real estate;
- is developing land in respect of which an application for an approved loan is made which was conveyed to the borrower by a shareholder of the Approved Lender; or
- is associated with the Approved Lender, any shareholder thereof, or any partnership, joint venture or other arrangement established or entered into, for the purpose of real estate development.

FEES

Pay the non-refundable annual and renewal fees to CMHC.

NON-COMPLIANCE

If the Approved Lender does not conform to the above policies or regulations, it may:

- not be allowed to initiate or acquire further NHA loans, but allowed to continue to administer its current NHA portfolio;
- be suspended from initiating and administering NHA loans. In this case, in order to maintain the mortgage insurance, the administration of the loans must be assumed by another Approved Lender;

CMHC MORTGAGE LOAN INSURANCE

Section RETENTION OF APPROVED LENDER DESIGNATION	Subject General	Page 5 1994-02-16
---	------------------------	--------------------------

NON-COMPLIANCE
(Cont'd)

- be subjected to lending restrictions described in 0706-01, as well as other restrictions and conditions; or
- have its designation as an Approved Lender cancelled.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPROVED LENDERS UNDER RESTRICTIONS	General	1
		1998-09-11

INTRODUCTION

CMHC applies lending restrictions on Approved Lenders whose current or projected levels of claims are far in excess of national averages. These are intended to be an interim measure during which the Approved Lenders are striving to improve their underwriting and administrative capacities. Should claim losses on future loans remain in excess of industry averages, additional conditions, including suspension, could be imposed.

Restrictions are also applied to Approved Lenders with less than three years' experience who meet the alternative requirements and criteria specified in 0702-01 and 0703-01.

APPROVED LENDERS
WITH HIGH LEVELS
OF CLAIMS

The restrictions that will be imposed on Approved Lenders with high levels of claims are:

- on loans for homeownership:
 - the maximum loan-to-value ratio will be set at 85% (instead of **95%**);
 - the GDS ratio cannot exceed 27% (instead of 32%) while the TDS ratio cannot exceed 35% (instead of **40%**);
- loans will be restricted to metropolitan areas where the Approved Lender has underwriting and administrative capabilities;
- applications for new rental loans on projects of six units or more (excluding social housing) must include an appraisal by a qualified individual and a market analysis. The Approved Lender's review of the borrower's financial position must include an analysis of the borrower's capacity to complete the project, assuming the rent-up or sales period exceeds the proponent's original estimate by 50%;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPROVED LENDERS UNDER RESTRICTIONS	General	2
		1994-02-16

APPROVED LENDERS
WITH HIGH LEVELS
OF CLAIMS
(Cont'd)

- all rental loans must be scrupulously analyzed and underwritten by the Approved Lender in accordance with the publication "NHA Mortgage Loan Underwriting" (multiple projects). The same assessment must be made whether the loan is originated through the Approved Lender's mortgage correspondent or another Approved Lender.

The above conditions apply to loans either originated or purchased by the Approved Lender.

APPROVED LENDERS
WITH LESS THAN
THREE YEARS OF
EXPERIENCE

The following restrictions are imposed on Approved Lenders with less than three years' experience:

- the percentage of loans in excess of 85% of the loan to value ratio must not exceed the average for major Approved Lenders;
- the percentage of the above loans which have a GDS ratio over 27% must be in accordance with averages for major Approved Lenders;

Note: CMHC will provide the Approved Lender with the benchmark averages.

- to enable CMHC to monitor the Approved Lender assessment of the borrower's credit worthiness on homeownership loans, the CMHC local office must receive copies of the following documents at the time of application:
 - credit report;
 - income and employment verification;
 - application for loan together with Approved Lender's underwriting;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPROVED LENDERS UNDER RESTRICTIONS	General	3
		1994-02-16

APPROVED LENDERS
WITH LESS THAN
THREE YEARS OF
EXPERIENCE (Cont'd)

- on loans submitted, personal contact must be made with every borrower, both to verify questionable aspects of the application, and to better assess the character and credit worthiness of the applicant;
- all loans are to be submitted under the full processing service option;
- loans will be restricted to metropolitan areas where the Approved Lender has underwriting and administrative capabilities; and
- applications for new rental loans on projects of six units or more (excluding social housing) must include an appraisal by a qualified individual and a market analysis. The Approved Lender's review of the borrower's financial position must include an analysis of the borrower's capacity to complete the project, assuming the rent-up or sales period exceeds the proponent's original estimate by 50%. All rental loans must be scrupulously analyzed and underwritten by the Approved Lender in accordance with the publication "NHA Mortgage Loan Underwriting" (multiple projects). The same assessment must be made whether the loan is originated through the Approved Lender's Mortgage Correspondent or another Approved Lender.

CMHC MORTGAGE LOAN INSURANCE

Section FEE SCHEDULE FOR MANAGEMENT OF APPROVED LENDER NETWORK	Subject General	Page 1 1994-02-16
---	------------------------	--------------------------

INTRODUCTION

The following are the fees to be charged to all Approved Lenders regarding the management of the Approved Lender Network.

APPLICATION FEE

ALL FINANCIAL INSTITUTIONS (except sponsored Credit Unions and Caisses Populaires) \$5,000

This once-only fee is designed for financial institutions applying for NHA Approved Lender designation. Those lending institutions which are already NHA Approved will not be required to pay this fee.

Effective 1 April 1994, a cheque is to be included with the application package.

SPONSORED CREDIT UNIONS AND CAISSES POPULAIRES \$ 750

Sponsored credit unions/caisses populaires usually apply for NHA designation through the sponsorship of their Centrals or Fédérations. Credit unions and caisses populaires not applying through their respective Central or Fédération will be required to pay the \$5,000 fee.

Effective 1 April 1994, a cheque is to be included with the application for Approved Lender designation.

ANNUAL FEE

ALL APPROVED LENDERS \$2,500

APPROVED LENDERS (limited to the administration of NHA loans only) \$1,250

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
FEE SCHEDULE FOR MANAGEMENT OF APPROVED LENDER NETWORK	General	2
		1994-02-16

ANNUAL FEE
(Cont'd)

The annual fee applies to all NHA Approved Lenders (including all Centrals or Fédérations) except sponsored credit unions/caisses; the annual fee of \$1,250 applies only to Approved Lenders whose designation limits them to the administration of NHA loans only.

The annual fee becomes effective on 1 January 1995. CMHC will invoice all NHA Approved Lenders in December 1994 and every December thereafter.

RENEWAL FEE

ALL APPROVED LENDERS

\$3,300

The renewal fee applies to all NHA Approved Lenders, (including all Centrals or Fédérations) except sponsored credit unions/caisses. This fee will be charged for each renewal of Approved Lender designation.

Effective 1 April 1994, a cheque is to be attached to the application for renewal of Approved Lender designation.

TAXES

All fees are subject to applicable Federal/Provincial taxes.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
MORTGAGE CORRESPONDENTS	General	1
		1994-02-16

INTRODUCTION

A Mortgage Correspondent is an agent designated by an Approved Lender to act on the Approved Lender's behalf in the processing of NHA loans in a specific geographic area.

All loans made by Mortgage Correspondents have to be committed, secured, and disbursed in the name of the Approved Lender. The Approved Lender is fully accountable for all the actions of the Mortgage Correspondent which will be incorporated in the overall performance of the Approved Lender.

CMHC NOTIFICATION

The Approved Lender notifies the local CMHC Office of the Mortgage Correspondent acting on its behalf in specific areas by completing the sample form on the following page.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
MORTGAGE CORRESPONDENTS	General	2
		1994-02-16

SAMPLE LETTER

Addressed to local CMHC Office where the mortgage correspondent is to be active.

Re: To Appoint (Name) as Mortgage Correspondent
for (Name of Approved Lender)

We (Name of Approved Lender) hereby notify Canada Mortgage and Housing Corporation (CMHC) that the above-noted institution is our Mortgage Correspondent for the area of (specific geographical area).

The Mortgage Correspondent will submit applications for insured loans in our name and process in our name and on our behalf the preliminary documentation required with respect to mortgage loans to be insured under the National Housing Act and Regulations. The loan will be disbursed by us and security will be taken in our name.

The Mortgage Correspondent has been associated with us in the past and we are satisfied that it has the necessary expertise and experience to negotiate National Housing Loans on our behalf.

In consideration of CMHC accepting (Name) as our Mortgage Correspondent, we hereby assume responsibility for, and agree to be bound by, the acts of the Mortgage Correspondent where the Mortgage Correspondent is acting on our behalf in connection with loans insured under the National Housing Act.

The appointment made by the Approved Lender herein will remain in force until one of the following events occurs:

- (a) notice of its cancellation given in writing by the Approved Lender to the Manager, local CMHC Office in the geographical area the Mortgage Correspondent was active in; or
- (b) notice in writing given to the Approved Lender by Canada Mortgage and Housing Corporation of its revocation.

Signed

Authorized Officer of
(Name of Approved Lender)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page 1
OTHER PRODUCTS/ SERVICES AVAILABLE UNDER THE NHA	Overview	1992-11-02

INTRODUCTION

This Section describes other products and services available under the NHA.

FINANCING CONVERSION
OF PROJECTS

CMHC allows insurance of mortgage loans intended for specific types of conversions.
(0801-02)

NON-RESIDENTIAL
FACILITIES

This Subject outlines CMHC criteria which must be met when application is made for insurance on housing projects which include non-residential facilities.
(0801-03)

SOLAR HEATING

Mortgage insurance on solar heated housing units is permitted. Additional details on the application must be provided.
(0801-04)

LEASEHOLD LENDING

This Section describes CMHC requirements on leasehold properties and identifies unacceptable lease conditions. Information on construction loans in Quebec is also reviewed.
(0802-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OTHER PRODUCTS/ SERVICES AVAILABLE UNDER THE NHA	Financing Conversion Projects	1
		1992-11-02

INTRODUCTION

CMHC can insure loans to finance the conversion of:

- an existing rental project to condominium
- a non-residential building into a residential housing project.

RENTAL TO
CONDOMINIUM

All documentation and underwriting policy requirements which apply to condominiums also apply to rental projects being converted to condominium. In addition, the loan application must include the municipality or province's written concurrence to the proposed conversion.

The application for the conversion loan may be submitted by the rental project owner or by the party intending to convert it.

Until the condominium documentation is registered, the loan advance may only equal the outstanding rental loan balance. Thereafter, advances can be made up to the 85% level subject to normal holdbacks for conversion work, if any.

NON-RESIDENTIAL
TO RESIDENTIAL

The loan ratio, type of documentation required, and the applicable policies for loans to convert non-residential property to residential depend on the nature of the housing project -- rental, condominium, or normal ownership.

A special requirement for this conversion loan is that the Approved Lender must insert a clause in the mortgage which states that the loan may be called if the required conversion work has not been completed within a period of time deemed reasonable by CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OTHER PRODUCTS/ SERVICES AVAILABLE UNDER THE NHA	Non-Residential Facilities	1
		1992-11-02

INTRODUCTION

CMHC can insure a loan on mixed use properties.

DEFINITION

Non-residential facility refers to any space within the boundaries of a predominantly residential housing project. It excludes dwelling units, amenity area and parking, and other areas associated with, and essential to, the effective operation of the residential component.

Note: Standard amenities and parking space required for the efficient and smooth operation of the residential component are to be included with the residential portion.

AREA OF FACILITY

The gross floor area of non-residential facilities should not normally exceed 20% of the gross floor area for the total project.

CMHC MORTGAGE LOAN INSURANCE

Section OTHER PRODUCTS/ SERVICES AVAILABLE UNDER THE NHA	Subject Non-Residential Facilities	Page 2
		1992-11-02

MAXIMUM LOAN

The amount of insurable loan, applicable to non-residential facilities, is limited as follows:

- the lesser of 75% of the market value as determined by CMHC; or
- that supported by a debt coverage ratio of 1.15.

Note: Market value estimates used for loan calculation must reflect market transactions for similar non-residential properties including anticipated return on equity, typical financing, etc.

PREMIUM SURCHARGE

The portion of an insured loan attributable to non-residential facilities is to be subject to a 1% premium surcharge.

UNDERWRITING
CONSIDERATION

If any portion of the non-residential facility is being built for occupancy by a tenant or firm which is controlled by the borrower, the latter must possess the financial strength, real estate administration, and management skills required for the successful operation of the facility.

ADDITIONAL
DOCUMENTATION

In addition to normal documentation, the Approved Lender must provide:

- a report on the economic feasibility of the non-residential facility;
- copies of existing or proposed leases;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OTHER PRODUCTS/ SERVICES AVAILABLE UNDER THE NHA	Non-Residential Facilities	3
		1992-11-02

ADDITIONAL
DOCUMENTATION
(Cont'd)

- complete financial background and credit information on each lessee;
- for existing projects, financial statements for the project, including an income statement based on at least one year's actual operating results;
- for a new project, a pro-forma income statement;
- proof of compliance with local zoning requirements; and
- details of preleasing agreements.

AMOUNT/METHOD/
CONDITIONS OF
ADVANCE

CMHC approves mortgage advances on the basis of construction progress if the non-residential space has been pre-leased before the **Certificate of Insurance** is issued. This is subject to normal holdbacks related to rental housing projects.

Both the Approved Lender and CMHC must be satisfied with the quality of the tenants, the terms of leases, and the market prospects for viability of the non-residential operations. The operation must generate sufficient rental income to offset operating expenses, and service the mortgage debt portion related to the facilities.

CMHC may approve mortgage advances up to 50% of the amount of insured loan attributable to the non-residential facilities when:

- a lease has been executed by an anchor tenant whose quality rating is deemed acceptable to the Approved Lender and to CMHC in the context of the project and overall market considerations; or

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OTHER PRODUCTS/ SERVICES AVAILABLE UNDER THE NHA	Non-Residential Facilities	4
		1992-11-02

AMOUNT/METHOD/
CONDITIONS OF
ADVANCE
(Cont'd)

- the borrower is well-financed and has demonstrated financial strength, experience in this field of endeavour, and ample management know-how to successfully market and manage the facilities.

CMHC releases advances beyond the 50% level when the Approved Lender and CMHC are satisfied that a sufficient percentage of the space has been leased out to offset operating expenses and to service the mortgage debt related to the facilities.

Market prospects may support the loan but CMHC or the Approved Lender may not be fully satisfied with the borrower's ability to market the space:

- within a reasonable time frame; and/or
- on terms equal to, or better than, those on which the loan covering the facilities was established.

CMHC will approve no mortgage advances for the non-residential facilities until satisfied, through an underwriting review, that all conditions have been met.

The borrower may wish that mortgage advances be made before obtaining the level of acceptable tenants. In such case, CMHC makes advances subject to normal holdbacks provided the borrower obtains lease guarantee insurance for a minimum of 5 years from the Interest Adjustment Date (IAD).

Note: Lease guarantee insurance protects the owner against loss of rental income through the failure of a tenant to make rental payments.

The protection of such insurance must be assignable to the Approved Lender and CMHC, and must be for a minimum term of 5 years.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OTHER PRODUCTS/ SERVICES AVAILABLE UNDER THE NHA	Solar Heating	1
		1992-11-02

INTRODUCTION

Canada Mortgage and Housing Corporation (CMHC) will insure loans on housing units which are solar heated, provided:

- the housing unit and the solar heating equipment meet all applicable lending requirements (see 0101-02);
- the solar heating system was designed or verified by a professional engineer, qualified in such design;
- changes to the building fabric to incorporate the solar heating system, such as roof truss design to carry the load of the solar collectors, are designed or verified by a professional engineer skilled in such design; and
- the solar collector performance has been verified by an independent testing agency acceptable to CMHC.

IMPACT ON LENDING

CMHC recognizes solar heating in lending value, but only to the extent placed on the value of solar heating by the market.

ADDITIONAL LOAN
APPLICATION DETAIL

The following information must accompany the **Request - Certificate of Insurance or an acceptable Approved Lender application form:**

- system design drawings and installation details bearing the professional seal and signature of an engineer licensed to practice in Canada;
- verified solar collector performance data;
- calculations for the thermal performance of the system, and heating requirements of the building where applicable;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
OTHER PRODUCTS/ SERVICES AVAILABLE UNDER THE NHA	Solar Heating	2
		1992-11-02

ADDITIONAL LOAN
APPLICATION DETAIL
(Cont'd)

- estimates of the life of the system and maintenance and operating costs;
- site layout drawing details;
- placement and orientation of collectors; and
- location and height of existing buildings, fences, trees, and other obstructions to the south of the collector panel location.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	Overview	1
		1992-11-02

INTRODUCTION

CMHC makes NHA insured loans on land held under long-term lease. This Section provides details on such loans.

Below is an Overview of the Subjects in this Section. For details, refer to location numbers indicated.

GENERAL

General information on completion loans on leased land, loans on condominium projects, and the underwriting policies for leasehold loans is provided.

(0802-02)

LEASE REQUIREMENTS

Certain mandatory conditions must be met before CMHC approves a loan on land under long-term lease.

(0802-03)

UNACCEPTABLE LEASE
CONDITIONS

CMHC cannot insure leases which contain any of the conditions outlined in this Subject.

(0802-04)

SPECIAL INSURANCE
POLICY PROVISION

Where a ground lease contains an option price, a special note must be made to the **Certificate of Insurance**.

(0802-05)

LOANS IN QUEBEC

This Subject provides information on construction loans in Quebec.

(0802-06)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	General	1
		1992-11-02

INTRODUCTION

CMHC may insure loans on land held under long-term ground lease. CMHC secures such loans by a first mortgage on the borrower's leasehold interest in the land.

CMHC reviews the ground lease to ensure that it does not jeopardize CMHC's interest as the insurer. The Approved Lender is responsible for protecting his own interest.

For further details on underwriting policies on such loans, see below. See also Lease Requirements at 0802-03 and Unacceptable Lease Conditions at 0802-04.

COMPLETION LOANS
ON LEASED LAND

An applicant may have access to build on a parcel of land for which he/she has a short-term lease, with an option to purchase clause conditional upon building completion. In such cases, CMHC may approve a loan, subject to no mortgage advances being made before the applicant acquired the title.

LEASEHOLD
CONDOMINIUM

Due to legal complexities and restrictions in certain provincial statutes associated with condominiums located on leasehold land, special consideration must be given to each case. Approved Lenders are requested to discuss each project with CMHC in advance of the application.

UNDERWRITING
POLICIES

The underwriting policies for loans on leasehold properties under long-term ground lease for homeownership are:

- the lending value for the property is the lower of the cost or the value of the property, taking into account the terms of the lease;
- the minimum equity, 10% or 15%, is based on the greater of the purchase price of the improvement or of the lending value;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	General	2
		1992-11-02

UNDERWRITING
POLICIES
(Cont'd)

- CMHC does not recognize a prepaid/ capitalized value of the ground rent over the freehold market value of the land;
- the principal, interest, and tax payments must include the ground rent called for under the lease for Gross Debt Service purposes;
- where there is an option price rather than a waiver of ground rent, when necessary, CMHC reduces the lending value of the leasehold to ensure that its value, when added to the option price plus improvements, does not exceed the freehold lending value.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	Lease Requirements	1
		1992-11-02

INTRODUCTION

CMHC grants NHA insured loans on land held under long-term ground lease under certain mandatory conditions.

LEASE TERM

The term remaining in the lease at the time the mortgage term begins must be at least five years more than the remaining mortgage amortization period.

GROUND RENT WAIVER/
OPTION PRICE

During any period of time that CMHC holds leasehold title as a result of foreclosure or other action on the security, there must be a waiver of the net ground rent; i.e. any rent that is a profit to the lessor.

In lieu of this waiver, the mortgagee may have an option to obtain freehold title, exercisable when the mortgagee becomes the lessee through mortgage default.

This does not apply to non-commercial leases where ground rent is nominal rather than market; e.g. national parks, harbour boards, etc.

The option/waiver provision may be in a separate agreement between lessor and mortgagee rather than be in the lease. See also Special Insurance Policy Provision at 0802-05.

INSURANCE

During any period of time that CMHC holds leasehold title, all insurance requirements of the lease must be waived, as CMHC is self-insured against all insurable losses.

DEFAULT NOTICE

The lessor must agree to provide notice to the mortgagee of any default or breach of covenant, where the lessor intends to re-enter and terminate the lease if the default or breach is not cured.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	Lease Requirements	2
		1992-11-02

DEFAULT NOTICE
(Cont'd)

The lessor must provide notice to the mortgagee, giving a reasonable period (minimum 45 days from the date of notice) to cure the default or breach, or to at least start curing it. If, during this time, the mortgagee notifies the lessor of its intention to foreclose or otherwise realize on its security, it must be given sufficient time to carry this out through to conclusion, at which time it will become the new lessee.

ENTITLEMENT TO
POSSESSION

The lease must express the entitlement of the mortgagee to take possession of the improvements and to administer, if a rental property, including the collection of all rents, etc. even against the lessor in the event of a default under the terms of the mortgage.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	Unacceptable Lease Conditions	1
		1992-11-02

INTRODUCTION

Under the NHA, CMHC cannot insure leases which contain any of the following conditions:

GROUND RENT
ESCALATION

This includes any special condition relating to changes in the year-to-year amount to be paid for the ground rent to rise in direct relation to the Cost of Living Index.

ONEROUS COVENANTS

These are conditions that would limit or cancel the lessee's normal legal rights and recourses. Examples are:

- any statement that a lessee must immediately discharge all liens registered against title; this is not acceptable as the lessee must have the same rights as the owner of a freehold property, including the right to contest any liens that it feels are improper;
- any requirement for CMHC to construct and maintain improvements, or pay for work ordered by the lessor or required under the lease.

RESTRICTIONS

CMHC examines any restrictions on the lessee's freedom of alienation (i.e. the right to assign his/her leasehold interest to a third party "purchaser") very carefully. In the event of a claim, CMHC requires that such restrictions will not impede CMHC's ability to re-sell the property.

INSURANCE PROCEEDS

CMHC does not accept any requirement that insurance proceeds from damage or destruction must always be applied to rebuilding at the sole option of the lessor.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	Unacceptable Lease Conditions	2
		1992-11-02

INSURANCE PROCEEDS
(Cont'd)

This takes away the mortgagee's right, contained in the mortgage, to decide whether to apply the funds to repair or to the mortgage principal.

CMHC would accept that:

- where damage is less than 25% (i.e. not substantial), the lessor may apply proceeds to repair if so wished;
- where damage is substantial or total, the lessor has the option to repair or not to repair. If he/she decides not to repair, insurance proceeds must be applied firstly to clearing the land and secondly to the mortgage amount.

CLAIM ON INSURANCE
PROCEEDS

The lease must not stipulate that the lessor has a claim on monies paid or payable by an expropriating body or by an insurer due to damage or destruction of the improvements securing the mortgage loan.

CMHC MORTGAGE LOAN INSURANCE

Section LEASEHOLD LENDING	Subject Special Insurance Policy Provision	Page 1 1992-11-02
----------------------------------	--	-----------------------------

INTRODUCTION

Where CMHC makes a loan on the security of a ground lease which contains an option price rather than a ground rent waiver (see 0802-03), a special note must be made to the **Certificate of Insurance**.

It must stipulate that in the event of a claim, the borrower's title alone is not sufficient, and that the Approved Lender must obtain and offer to the Mortgage Insurance Fund (MIF) complete freehold title. The policy must specify any amount payable by the MIF over and above any claim otherwise payable under the policy (i.e. the option price).

The Approved Lender must specifically acknowledge, in a form signed by an officer authorized to so bind the Approved Lender, the obligation to convey freehold title in the event of a claim and the agreed option price.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	Loans in Quebec	1
		1992-11-02

INTRODUCTION

Construction loans in Quebec are currently requested by lessees who hold land under an emphyteutic lease or a construction lease. The hypothec of the Approved Lender affects the land leased by emphyteusis as well as the improvements, but these become the property of the lessor at the expiry of the lease, without compensations.

If the land is held under a construction loan (bail de construction), only the improvements are hypothecated with the leasehold interest. In this case, at the expiry of the lease term, the parties must settle their accounts in accordance with the covenants in the lease, so that one may have to buy the other out. The instructions in the preceding Subjects of this Section would apply here.

ASSIGNMENT OF
INTERESTS/SUBLEASING

Assignment of leasehold interests and subleasing are seldom used to secure construction loans in Quebec. But they may be used from time to time because of tax and similar considerations. In such cases, the rules in the preceding Subjects of this Section will apply verbatim.

EXAMINATION
OF TITLES

Such titles must be examined at the earliest possible time from the legal perspective to determine acceptability in principle, and also for appraisal of feasibility and lending value, which requires consideration of all the features of the transaction.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	On Indian Reserves	1
		1996-05-20

INTRODUCTION

On some Indian Reserves, particularly those located in expanding urban housing markets, Indian Bands have been creating economic development opportunities by leasing reserve lands to developers for the construction of market housing.

Provided the leasehold arrangement and the lease document itself are satisfactory to CMHC, the units in the development may be eligible for CMHC-insured financing. The loan will be secured by a mortgage of the leasehold interest. Except for borrowers who are Indians, as defined in the Indian Act, CMHC does NOT require a Ministerial guarantee by the federal Department of Indian Affairs and Northern Development (DIAND) for loans involving units in leasehold market housing developments on reserves.

**CREATION OF
LEASEHOLD INTEREST
ON RESERVE**

The leasehold interest is created through a series of leases and other agreements involving a number of parties, including DIAND. Because of the complexity of leasehold agreements on Indian Reserves, CMHC must review and approve each on-reserve leasehold arrangement before mortgage loan insurance can be approved for any unit in the development. CMHC's review is solely for the purpose of insurance risk assessment.

**APPROVED LENDER
RESPONSIBILITY**

The Approved Lender remains responsible for title matters, and must carry out its own review of the leases as title documents. The Approved Lender must ensure that it will be in a position to transfer clear and marketable leasehold interest to CMHC in the event of a mortgage loan insurance claim.

CMHC's involvement should be requested as early as possible in the development process. This will allow CMHC to review the marketability of the proposed project, and to explain CMHC's requirements for leasehold lending, before the developer goes to the expense of having a lease drafted.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LEASEHOLD LENDING	On Indian Reserves	2
		1996-05-20

NATIVE BORROWERS

Where the borrower is an "Indian" as defined in the Indian Act, and the home is located on a Reserve, CMHC mortgage loan insurance can be provided only if it is guaranteed by the Minister responsible for the Department of Indian Affairs and Northern Development (DIAND). This requirement applies to any house on a reserve, including a unit in a leasehold market housing development.

Where a DIAND Ministerial guarantee is provided, no mortgage loan insurance premium is payable to CMHC. However, CMHC's normal application processing fee applies.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURANCE PRODUCTS - GENERAL	Overview	1
		1998-09-11

SPECIAL
PROGRAMS

Some special programs may be eligible for NHA mortgage loan insurance. They are described in the Manual entitled Special Programs (SP).

CHATTEL LOAN
INSURANCE
PROGRAM

This chapter provides information on the Chattel Loan Insurance Program.

(0902-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	Overview	1
		1995-01-19

INTRODUCTION

This Chapter provides details on the Chattel Loan Insurance Program.

GENERAL

This Section deals with program highlights, lending terms, premiums and fees, and matters of loan security.

(0902-02)

ELIGIBILITY
CRITERIA

This Section provides details on eligibility criteria for the unit, the site lease, and the borrower.

(0903-01)

LOAN APPLICATION
AND ADVANCING
OF FUNDS

Application requirements, preparation of the application form, and advancing of funds are documented here.

(0904-01)

INSURED LOAN
ADMINISTRATION

Details are included on loan administration.

(0905-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	General	1
		1995-01-19

INTRODUCTION

This Subject provides an outline of the highlights of the Chattel Loan Insurance Program.

BACKGROUND

The National Housing Act makes NHA insurance available for homeownership loans secured by manufactured **housing** located on sites with short term leases.

OBJECTIVES

The objectives of the program are twofold:

1. To improve access to alternative forms of affordable housing without involving government expenditures.
2. To place manufactured **housing** in a more competitive position with **site built** homes.

UNIT ELIGIBILITY

The following eligibility criteria are applied to manufactured **housing**:

Both new and existing (resale) mobile and modular homes (subject to the following definitions) are eligible for the Chattel Loan Insurance Program (CLIP).

Definitions: "Mobile home" and "modular home" mean a new or existing (resale) transportable, single or multiple-section single family dwelling. New mobile homes must be certified in accordance with the CAN/CSA-Z240 MH Series-94 series of standards.

New modular homes must be constructed in a manufacturing facility certified in accordance with CSA A277, "Procedure for Certification of Factory Built Houses" and conforming to the construction standards referenced therein.

CMHC MORTGAGE LOAN INSURANCE

Section CHATTEL LOAN INSURANCE PROGRAM - GENERAL	Subject General	Page 2
		1995-10-02

UNIT ELIGIBILITY
(Cont'd)

Both modular and mobile home maximum widths are restricted to the respective provincial and territorial legal transportable road width maximum.

Set up Standards/Warranties: Homes must be set up to meet certain minimum standards and must provide a warranty acceptable to CMHC (please refer to II 0903-03).

UNIT ELIGIBILITY -
FLOATING HOME

Floating homes are also eligible under CLIP. Floating homes are defined as single family dwellings, not exceeding three storeys in building height. Such homes shall be located in marinas or subdivisions designed for this type of housing.

Please refer to Section II 0903-03 for floating homes' eligibility criteria.

SITE LEASE/
TENANCY AGREEMENT
ELIGIBILITY

The site lease, **tenancy agreement**, or a letter of consent, must be made in favour of the borrower and signed by the landlord. **The Approved Lender must obtain an assignment of the lease.**

NOTE: The Approved Lender must ensure that appropriate approvals from municipal, provincial, territorial and federal authorities are in place for floating homes.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	General	3
		1998-09-11

BORROWER
ELIGIBILITY

The borrower must meet the same eligibility criteria as required for other CMHC homeowner loan insurance products, as well as the following:

Principal Residence: The home must be purchased and used by the borrower as his/her principal residence.

Equity: A minimum of 10% equity from the borrower's own resources is required. A minimum of 5% equity is required for **95% Financing loan applications under CLIP.**

ELIGIBILITY -
OTHER

There are other specific eligibility criteria related to location, site controls and wells.

LOAN AMOUNT

The maximum insurable loan amounts are the same as regular NHA homeowner mortgage loan insurance. Fixtures, appliances, and chattels may be included in the lending value as well as other options where they specifically form part of the transaction. Normal set-up costs are also allowed.

MAXIMUM
AMORTIZATION
PERIOD

The maximum amortization period is the lesser of 25 years or the remaining economic life of the home, as determined by CMHC.

INTEREST RATE

The interest rate agreed upon between the borrower and the Approved Lender must be consistent with general market conditions.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	General	4
		1998-09-11

UNDERWRITING

The underwriting fee is either \$75.00 or \$235.00. See II 0902-04 for more details.

PREMIUM

Mortgage loan insurance premiums, single advance, range from 0.5% for loans up to 65% loan to value ratio, to **3.75% for loans up to 95% loan-to-value** ratio. As with other NHA insured owner-occupied products, a 0.50% premium surcharge is added for multiple advances. See II 0902-04 for further details.

SECURITY

The Approved Lender may use any form of chattel security that is valid and enforceable both as to remedies against the security and for the collection of loan repayments, in accordance with provincial law. The Approved Lender must obtain an assignment of the site lease at loan initiation. The assignment must be effective for any concurrent lease term.

APPLICATION
REQUIREMENTS

The Approved Lender is required to submit a completed CMHC Form 530, Request - Certificate of Insurance, or an acceptable Approved Lender application form as well as the underwriting fee, bill of sale or offer-to-purchase, retailer's invoice and map. An appraisal report must accompany the application for the Basic Processing Service option.

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	General	5
		1995-01-19

ADVANCING
FUNDS

CLIP insured loans are disbursed in either one of the following two methods:

Single advance - Upon complete installation of the home on the foundation and subject to conditions of approval; or

Two progress advances - The first advance as the home is delivered to the site and the final advance upon installation of the home unit on the foundation.

A 0.50% premium surcharge is levied for all progress advances.

Please refer to section II 0904-04 for further information on loan application and advancing of funds.

LOAN
ADMINISTRATION

Policies are provided to cover change in location of the manufactured home, conditions for property insurance coverage, etc.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	Lending Terms	1
		1995-10-02

INTRODUCTION

Maximum Insurable Loan Amounts are the same as regular NHA mortgage loan insurance. Terms relevant to chattel loan insurance are detailed below.

LENDING VALUE

The lending value for new and resale homes shall not exceed the lesser of acquisition and set-up cost or market value of the home, as determined by CMHC.

Appraisals submitted in support of the Basic Processing Service option may include a locational value component in the estimate of the market value, only if this is reflected as a typical contributor to value in the applicable market.

REFINANCING

Loans insured under CLIP are eligible for refinance, and the refinancing may include an increased loan amount for renovations. Standard policies apply. (Please refer to II 0501-04.)

OPTIONS
INCLUDED

Options constituting standard housing requirements such as:

- furnace
- hot water tank
- steps
- dishwashers
- fridges
- stoves
- washers
- dryers

and other appliances or external attachments to the home may be included in the insured loan amount if these are included in the transaction. **They must also be secured by the security document.**

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	Lending Terms	2
		1998-09-11

MAXIMUM
INSURABLE LOAN

The maximum insurable loan amount is the same as regular NHA mortgage loan insurance (**up to and including 95%**). The amount of the chattel loan insurance premium may be added to the loan. (See 0902-04).

MAXIMUM
AMORTIZATION
PERIOD

The maximum amortization period is the lesser of 25 years or the remaining economic life of the home, as determined by CMHC.

INTEREST RATES

The interest rate agreed upon between the borrower and the Approved Lender must be consistent with general market conditions.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	Premiums and Fees	1
		1998-09-11

INTRODUCTION

Following is the premium schedule and the specified underwriting fee charged by CMHC.

PREMIUM
CALCULATION

The amount of the mortgage loan insurance premium may be added to the loan.

Loan-to-Value Ratio	Mortgage Loan Insurance Premium	
	Single Advance	Progress Advance
Up to and including		
65%	0.50%	1.00%
75%	0.75%	1.25%
80%	1.25%	1.75%
85%	2.00%	2.50%
90%	2.50%	3.00%
95%	3.75%	4.25%

UNDERWRITING FEE

The fee for the Basic Processing Service is \$75.00 per application. With this processing option, the Approved Lender must submit an appraisal report of the home as installed on the intended site and complete any required progress examinations.

The fee for the Full Processing Service is \$235.00 per application. With this processing option, **the Approved Lender is not responsible for obtaining an appraisal report or initiating any progress inspection. CMHC may or may not, at its sole discretion, initiate an appraisal or inspection.**

The fee for the Prime Plus Processing Service is \$75.00 per application. With this loan processing option, the Approved Lender is exempt from providing a property appraisal. (Refer to II 0205-02.)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	Security	1
		1995-10-02

INTRODUCTION

Borrowers must keep Approved Lenders informed of rental changes. Responsibilities and rights of the Approved Lender are set out below.

SALES CONTRACT

Approved Lenders must ensure that all built-in options are listed and costed, and included in the purchase price of the home. For details see 0902-03. A bill of sale **or offer-to-purchase** signed by the borrower is required.

INSURANCE

All acceptable built-in options must be insured against all risks.

SECURITY
REQUIREMENTS

Approved Lenders may use any established form of chattel security that is valid and enforceable. These provisions must apply to remedies against the security, and to the collection of loan repayments in accordance with provincial law.

The Approved Lender must obtain an assignment or sublease of the borrower's site lease, tenancy agreement or letter of consent, as additional security. The assignment must allow the Approved Lender to keep the payments current so the unit may remain on the site in case of borrower default. This typically permits easier disposition of the unit. It must be effective for any concurrent lease term.

SITE LEASE/
TENANCY AGREEMENT

The site lease **or tenancy agreement** must comply with the criteria listed under Site Leases (see 0903-04).

BORROWERS

The site tenants, home purchasers and borrowers must be one and the same.

APPROVED LENDERS'
RIGHTS

The Approved Lenders must be entitled to exercise their remedies in whatever order they choose, subject to the restrictions of provincial law.

Section	Subject	Page
CHATTEL LOAN INSURANCE PROGRAM - GENERAL	Security	2
		1995-01-19

CHATTELS

The security documents must adequately describe the secured chattels, including all appliances and attachments.

To ensure long term identification, chattels must be securely labelled with serial numbers.

APPROVAL OF
CHANGES

The Approved Lender's approval is required in the following circumstances:

- for any change of use or location of the home; or
- for any change in the terms and conditions of the site lease over which the borrower has any control.

RENEWALS/
REGISTRATIONS

The Approved Lender is responsible for all appropriate registrations and renewals of the security against the chattels and the site.

Section	Subject	Page
ELIGIBILITY CRITERIA	Overview	1
		1995-01-19

INTRODUCTION

This Section provides details on eligibility criteria.

GENERAL

Specific eligibility criteria not covered in other sections such as site location, controls and amenities are outlined.
(0903-02)

THE UNIT

Criteria applicable to the unit or **manufactured and floating homes** are discussed.
(0903-03)

SITE LEASES

The site lease or a letter of consent must be made in favour of the borrower. It must be signed by the landlord or agent, and contain a number of specific clauses.
(0903-04)

THE BORROWER

The Approved Lender must ensure that the prospective borrower meets **the same** eligibility criteria **as required** for other CMHC homeowner loan insurance products.
(0903-05)

Section	Subject	Page
ELIGIBILITY CRITERIA	General	1
		1995-01-19

INTRODUCTION

Eligibility criteria are set out specifically for the:

- **home** (0903-03);
- site leases (0903-04); and
- borrower (0903-05).

This Subject deals with specific eligibility criteria not covered in those sections.

LOCATION

The manufactured **home** may be placed on owned or rented property.

SITE CONTROLS

The Approved Lender must ensure that both incorporated and unincorporated municipalities have in place specific provincial/~~territorial~~/municipal regulations that control the **site** use, including density for mobile/modular/**floating** homes (zoning by-laws, for example).

WELLS

It is sufficient to have a certified well on the landlord's property near the borrower's site which the borrower is entitled to use. The landlord must maintain the well and ensure the water supply.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ELIGIBILITY CRITERIA	The Unit	1
		1997-05-29

INTRODUCTION

Eligibility criteria applicable to the mobile, modular or floating home, are as follows.

DEFINITION

"Mobile home" means a new or existing (resale) transportable, single or multiple-section single family dwelling. New homes must conform to the CAN/CSA-Z240 MH Series-M94 series of standards.

"Modular home" means a new or existing (resale) transportable, single or multiple section, single family dwelling. New homes must be constructed in a manufacturing facility, certified in accordance with CSA A277, "Procedure for Certification of Factory Built Houses" and conforming to the construction standards referenced therein.

"Floating Home" means a single family dwelling not exceeding three storeys in building height. **The superstructure of the home shall conform to the applicable provincial or territorial building code, the published or adopted building code for First Nations' reserves, or in its absence, the National Building Code of Canada.**

Float structures shall be designed individually for each house type, location and loading condition.

IDENTIFICATION

New homes must be identified in accordance with CAN/CSA-Z240.0.1-M94 - Definitions and General Requirements for Mobile Homes and as required by CSA A277, for modular homes. The latter must be identified in a permanent and readily visible manner with:

- Manufacturer's name and address;
- Model name or number;
- Serial number;
- Year of manufacture; and
- Allowable ground snow load and roof design load.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ELIGIBILITY CRITERIA	The Unit	2
		1997-05-29

MINIMUM
SET-UP
STANDARDS

New homes must be set-up and anchored to meet local/provincial/territorial requirements (where they exist) or in accordance with CSA standard CAN3-CSA-Z240.10.1-M94.

Existing homes must also be set up and anchored to meet local/provincial/territorial requirements. In areas where such requirements are not in place, the CAN3-CSA-Z240.10.1-M94 standard may be used as a guide but the foundation need not necessarily conform to this standard.

Floating homes must be located in areas where the appropriate approvals of municipal, provincial, territorial and federal jurisdictional agencies **for year-round occupancy** are in place.

Note: Add-on structures are permitted only if they can be attached and removed without unduly damaging the home or affecting its warranty.

**DEFORMATION
RESISTANCE AND
MOBILITY CRITERIA -
MODULAR HOUSING**

New homes must conform to CSA A277, Procedure for Certification of Factory Built Houses.

Units must not exceed the maximum transportable road width enforced in each applicable province/territory.

Panelized or sectional forms of modular housing are NOT eligible.

Mobile homes and modular housing units certified in accordance with the CAN/CSA-Z240 MH Series of standards will have demonstrated compliance with the deformation-resistance requirements of the standard, and will be deemed to satisfy this requirement.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
ELIGIBILITY CRITERIA	The Unit	3
		1997-05-29

**DEFORMATION
RESISTANCE AND
MOBILITY CRITERIA -
MODULAR HOUSING
(cont'd)**

The superstructure of new modular housing must provide equivalent rigidity to mobile homes meeting the CSA-Z240 series of standards, i.e. rigid, panel-type sheathing, glued subfloor, and wall sheathing are required.

Modular housing must be supported on longitudinal wood or steel beams designed to support the home on individual surface foundation units and to accommodate seasonal movement.

Site preparation, foundations and anchorage for new and relocated homes must conform to CSA Z240.10.1-M94, "Recommended Practice for the Site Preparation, Foundation and Anchorage of Mobile Homes".

Thermal resistance of the envelope of modular housing must comply with provincial regulations.

EXISTING HOUSING UNITS

For existing units, the home (including any additions) must clearly demonstrate adequate foundation and structural performance. Common indicators of potential structural inadequacies are an abnormal level of wall cracking, especially around windows and doors, floors that are not level, evidence of condensation damage resulting from inadequate foundation ventilation and insulation.

As well, unit heating, electrical and plumbing service systems must be of adequate condition and capacity.

All existing housing units must meet, or be capable of meeting the standards established for **"Minimum Property Requirements for Existing Residential Buildings" NHA 6963.**

WARRANTIES

For new manufactured and floating homes, the manufacturer must provide a warranty of at least one year against defects in material and workmanship.

CMHC MORTGAGE LOAN INSURANCE

Section ELIGIBILITY CRITERIA	Subject Site Leases/Tenancy Agreements	Page 1
		1995-10-02

INTRODUCTION

The site lease, **tenancy agreement**, or a letter of consent must be signed by the landlord or his/her authorized agent, and must contain the following, or similar clauses.

The site lease, **tenancy agreement**, or letter of consent is not required as part of the application for mortgage loan insurance. The Approved Lender must retain a copy of the document on its loan file.

TERM

The **site lease, tenancy agreement, or letter of consent** must be in favour of the borrower for a typical term for the applicable area.

ASSIGNMENTS/
SUBLEASES

The Approved Lender must obtain an assignment of the site lease **or tenancy agreement** at loan initiation. The assignment must be effective to assign the lease and any renewals thereof.

The assignment of the site lease, **tenancy agreement, or letter of consent, must allow the Approved Lender to keep the payments current so the unit may remain on the site in case of borrower default. This typically permits easier disposition of the unit.**

For units not located in **manufactured home communities** or where the relationship between the borrower and landowner is other than arm's length, an assignment of the site lease, **tenancy agreement or letter of consent is required only if the landowner agrees to the unit being resold, on the site, in case of default on the original chattel loan.**

An assignment of the lease is not required if the landowner does not agree to the unit being resold, on the site. In such a case, it is expected that the unit will be relocated prior to resale.

CMHC MORTGAGE LOAN INSURANCE

INSURANCE INITIATION

II 0903-04

Section	Subject	Page
ELIGIBILITY CRITERIA	Site Leases	2
		1995-01-19

NOTICE OF
DEFAULT OR
TERMINATION

The secured person must notify the landlord of assignment or sub-lease. This notification entitles him/her to the same notice of default or termination as the tenant. The secured person or party is entitled to cure any default.

CMHC MORTGAGE LOAN INSURANCE

Section ELIGIBILITY CRITERIA	Subject The Borrower	Page 1
		1995-11-15

INTRODUCTION

The Approved Lender must ensure that the prospective borrower(s) meets the same eligibility criteria as required for other CMHC homeowner loan insurance products.

PRINCIPAL
RESIDENCE

The home must be purchased and occupied by the borrower(s) as his/her principal residence.

EQUITY

The borrower(s) must supply from his/her own resources a minimum equity of 10 per cent (5 per cent for FHLI) of the lending value of the property as determined by CMHC.

Note: Equity will not be accepted in the form of take-back documentation by the retailer or vendor. Any rebates, refunds and so on will not be considered equity for the purposes of the 10 or 5 per cent requirement. Non-repayable public agency homeowner grants are an acceptable source of equity, if the conditions listed in II 0102-02 are met.

DEBT SERVICE
CALCULATIONS

The monthly cost of the land or site rental must be included in the Gross Debt Service calculations.

CMHC MORTGAGE LOAN INSURANCE

Section LOAN APPLICATION AND ADVANCING OF FUNDS	Subject Overview	Page 1 1992-11-02
---	-------------------------	-----------------------------

INTRODUCTION

This Section provides details on the application for chattel loan insurance, and procedures for advancing funds.

APPLICATION
REQUIREMENTS

The Approved Lender is required to submit a completed **CMHC Form 530** or an **acceptable Approved Lender application form** and specified documentation.

(0904-02)

PREPARATION OF
APPLICATION FORM
(CMHC FORM 530)

CMHC Form 530 must be completed with changes to specific **fields** on the form.

(0904-03)

ADVANCING OF
FUNDS

Duties of the Approved Lender and CMHC in the advancing of funds are set out.

(0904-04)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN APPLICATION AND ADVANCING OF FUNDS	Application Requirements	1
		1995-10-02

INTRODUCTION

The Approved Lender is required to submit a completed CMHC Form 530 - Request - Certificate of Insurance (for details see 0402-02) or an acceptable Approved Lender application form.

Additional documentation and information requirements are outlined below.

UNDERWRITING FEE

Basic Processing Service: \$ 75.00/appl.
Full Processing Service: \$235.00/appl.
Prime Plus Processing Service: \$ 75.00 appl.

WARRANTY DETAILS

For new units, Approved Lenders must retain, on the loan file, details of the manufacturer's warranty against defects and workmanship.

BILL OF SALE/
OFFER-TO-PURCHASE

A copy of the bill of sale **or offer-to-purchase** signed by the borrower is required. It must identify all sale components individually, with their purchase price.

RETAILER'S
INVOICE

A copy of the itemized retailer's invoice is required.

Note: A copy of the retailer's order form will be accepted when the invoice is not immediately available.

COST
STATEMENT

The Approved Lender must include a statement of the following costs for new homes:

- borrower's cost of extras/options/additions;
and
- all additional costs associated with the set-up and installation of the home.

MAP

A location map for the site.

INSURANCE INITIATION

II 0904-03

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN APPLICATION AND ADVANCING OF FUNDS	Preparation of Application Form (CMHC Form 530)	1
		1995-01-19

INTRODUCTION

To apply for a loan, use CMHC Form 530 - Request - Certificate of Insurance, for Home Ownership Only. Additional documentation required with this form is set out in Application Requirements (0904-02). Acceptable Approved Lender application forms are eligible for use for applications under the Chattel Loan Insurance Program.

The following changes should be made when completing the application. If insufficient space is available in the box provided, attach a separate sheet clearly labelled as to which box the additional information refers.

PROPERTY
IDENTIFICATION
BOX

On the civic address line also include the lot or site location where the mobile or modular home is to be located.

In addition to the legal description for the mobile home park or site, also state:

Make: _____
 Serial #: _____
 Model: _____
 CSA: _____
 Manufacturer: _____
 Year of Manufacture: _____

BORROWER
DETAIL BOX

Include in the annual shelter payment and Gross Debt Service calculations, the annual cost of the site lease or, if the land is owned, the land payments.

LOAN
DETAIL BOX

For new units, under "Applicant Type", 03 Purchase from Builder", delete "Builder" and replace with "Retailer". If an acceptable Approved Lender application form is used, similar changes to the form submitted are to be made.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN APPLICATION AND ADVANCING OF FUNDS	Preparation of Application Form (CMHC Form 530)	2
		1995-10-02

LOAN TERM BOX

State if interest is calculated other than half yearly, not in advance.

COMMENTS BOX

The "Comments" box is below the Loan Details Box. In this space, state the size of the unit, **and list the options** included. (See 0902-03).

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN APPLICATION AND ADVANCING OF FUNDS	Advancing of Funds	1
		1995-10-02

INTRODUCTION

The loan may be advanced in the same manner as with other homeowner products. Duties of the Approved Lender and CMHC are set out below.

CLIP insured loans are disbursed in either one of the following two methods:

Single advance: CMHC will authorize an insured advance of the entire loan amount upon complete installation of the home on the foundation and connection of all services. All terms of the Certificate of Insurance must be satisfied.

Progress advances: CMHC will authorize an insured advance equal to the **lending** value of the home up to 85% of the insured loan amount on delivery of the home to the site. The remainder of the loan amount will be authorized pursuant to a successful final progress examination, upon installation of the home on the foundation.

LOAN ADVANCE

Once notified that the conditions above have been met, CMHC will normally authorize funds to be advanced using CMHC Form 2729 - Authorization-Loan Advance, (for illustration, see 0103-08).

CERTIFICATE OF
INSURANCE

CMHC issues the Certificate of Insurance after the Approved Lender remits the proper mortgage loan insurance premium, and indicates that all authorized funds have been advanced.

Section	Subject	Page
INSURED LOAN ADMINISTRATION	Overview	1
		1995-01-19

INTRODUCTION

This Section provides details on the administration of loan insurance.

LOAN
ADMINISTRATION

Advice is offered to Approved Lenders in certain matters related to the on-going administration of the program.

(0905-02)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
INSURED LOAN ADMINISTRATION	Loan Administration	1
		1995-10-02

INTRODUCTION

Administration policies and reporting requirements relating to the program and first mortgage insured loans are virtually the same.

CHANGE OF
LOCATION

When the borrower wants to relocate the home the Approved Lender must:

- obtain and examine the lease for the new site (or deed if the borrower owns the new site), **to ensure that both the lease and the site meet all requirements; and**
- be satisfied that the moving arrangements are reasonable.

Note: If the home is relocated, the Approved Lender must ensure that security and priority are retained.

PROPERTY
INSURANCE

The Approved Lender administering the insured loan is to ensure that the interests of the Approved Lender are adequately protected as follows:

- adequate fire insurance, including insurance against other standard insurable perils, in an amount equal to the full replacement value of the building; **and**
- protection against possible damage if the home is being moved from one location to another.

LOAN RENEWAL

The Approved Lender is responsible for all renewals, including retention of covenants, security and priority.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST FACTO INSURANCE - GENERAL	Chapter Overview	1
		1995-12-08

INTRODUCTION

The objective of the Post Facto Insurance is to allow Approved Lenders to seek NHA mortgage loan insurance for previously uninsured conventional mortgages without the requirement of securitization.

This Chapter describes the policies regarding Post Facto Insurance.

LENDING TERMS

Details regarding lending terms and conditions are provided.

(0906-02)

PREMIUMS AND FEES

Information regarding the mortgage loan insurance premium, the method of calculating the premium, and the underwriting fees is outlined.

(0906-03)

ELIGIBILITY
CRITERIA

This Section deals with the borrower and property eligibility criteria, and other conditions related to risk and quality of underwriting.

(0906-04)

LOAN APPLICATION
PROCESS

The loan application process, including documentation and appraisal requirements for Basic Processing Service is described.

(0906-05)

CMHC MORTGAGE LOAN INSURANCE

Section POST FACTO INSURANCE	Subject Lending Terms	Page 1
		1995-12-08

INTRODUCTION

There are mandatory mortgage loan conditions that must be met by Approved Lenders. These are set out below.

**FIRST MORTGAGE
CONDITIONS**

Approved Lenders must ensure the mortgage loans meet the following conditions:

- all mortgage loans are in good standing, and have never been in arrears during the life of the loan;
- all mortgage loans have been under repayment for at least six months; and
- all mortgage loans are Equal Payment Mortgages with blended payments of at least monthly frequency.

NOTE: Fluctuating lines of credit secured by a collateral first mortgage are not acceptable for this product.

SECURITY DOCUMENTS

The mortgage loans may be secured by the Approved Lender's own mortgage forms rather than the CMHC 1000 series mortgage forms. However, the Approved Lender will not enforce any conditions that are more onerous to the borrower than those stated in CMHC's policies and mortgage documents, including the prepayment privilege. Borrowers must be able to avail themselves of CMHC's policies, and the Approved Lender is responsible for whatever borrower notification is necessary.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST FACTO INSURANCE	Lending Terms	2
		1995-12-08

**MAXIMUM MORTGAGE
LOAN**

There is no maximum mortgage loan amount for this product.

**LOAN-TO-VALUE
RATIO**

All mortgage loans at origination had a loan-to-value ratio of 75% or less to qualify for Post Facto Insurance. While the Approved Lender is not required to document this at the application stage, CMHC may seek confirmation as part of its underwriting process.

**AMORTIZATION
PERIOD**

The amortization period is no more than 40 years from the original Interest Adjustment Date.

MINIMUM TERM

The minimum term for NHA insured mortgage loan is six months. Refer to section II 0302-05 for additional details.

INTEREST RATE

CMHC will accept the mortgage interest rate of the conventional first mortgage. The borrower is to be qualified at the higher of the contract rate of the mortgage or the current three year interest rate.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST FACTO INSURANCE	Premiums and Fees	1
		1995-12-08

INTRODUCTION

The mortgage loan insurance premium represents the total cost of insuring a mortgage loan, provided it remains in force, and continues to be administered by an Approved Lender. Underwriting fees are also charged.

APPLICATION FOR
INSURANCE

Applications for insurance are subject to regular mortgage loan insurance premiums and underwriting fees at no expense to the borrower.

CALCULATION
OF PREMIUM

Mortgage loan insurance premiums are calculated as follows:

Up to and including:

65%	0.50%
75%	0.75%
80%	1.25%
85%	2.00%
90%	2.50%

NOTE: The mortgage loan insurance premium will be calculated on the basis of the loan-to-value ratio at the time of application for Post Facto Insurance.

UNDERWRITING FEE

The underwriting fee for Basic Processing Service is \$75.00 per application, and \$235.00 for Full Processing Service. Under CMHC's Basic Processing Service, an appraisal acceptable to CMHC is to be provided by the Approved Lender.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST FACTO INSURANCE	Eligibility Criteria	1
		1995-12-08

INTRODUCTION

NHA Post Facto Insurance is available to Approved Lenders for previously uninsured conventional mortgages. Details on eligible housing and borrowers are set out below.

MINIMUM APPLICATION

The minimum application to be entertained under this business line is the lesser of 100 mortgage loans or \$10,000,000; exceptions may however be considered by CMHC on a case specific basis. There is no maximum application.

**ELIGIBLE HOUSING -
FORM AND TENURE**

Post Facto NHA mortgage loan insurance is available only for homeowner-occupied single units, as follows:

- freehold;
- leasehold, as per current policies relating to short term and long term leases; or
- condominium.

Manufactured homes are eligible for Post Facto Insurance. Refer to II 0902-01 for information on the eligibility criteria of the Chattel Loan Insurance Program.

**FINANCIAL
REQUIREMENTS
OF BORROWER**

The borrower must have the financial capability to service the mortgage loan. In particular he/she must meet the eligibility requirements as set out in Chapter II 0102.

**ASSESSMENT OF
THE BORROWER**

CMHC does not expect that the Approved Lenders will undertake a new underwriting of each loans submitted for this type of insurance. However, CMHC expects the Approved Lenders to exercise good judgment, reasonable care, and prudence in submitting loans for Post Facto NHA mortgage loan insurance.

CMHC MORTGAGE LOAN INSURANCE

Section POST FACTO INSURANCE	Subject Eligibility Criteria	Page 2
		1995-12-08

**ASSESSMENT OF
THE BORROWER
(cont'd)**

If the Approved Lender suspects any changes in the borrower's situation, either as a result of employment, income, credit worthiness, indebtedness, or other factors which may have an impact on the borrower's ability to manage the repayment of the mortgage loan, the Approved Lender will undertake a new underwriting of the borrower prior to submitting the application to CMHC.

DEBT SERVICE RATIOS

The borrower is to be qualified at the higher of the contract rate of the mortgage or the current three year interest rate, for the calculation of Gross Debt Service and Total Debt Service ratios, in accordance with normal CMHC policy.

LOAN DISTRIBUTION

CMHC, when receiving a request for approval in principle, will consider the distribution of the mortgage loans in terms of units and geography to evaluate the risk these loans represent in a particular market or sub-market.

**UNDERWRITING
CRITERIA**

Applications for mortgage loan insurance are subject to normal underwriting criteria.

**QUALITY OF
UNDERWRITING**

The Approved Lender remains responsible for the quality of the initial underwriting of both the property and the borrower.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST FACTO INSURANCE	Loan Application Process	1
		1995-12-08

INTRODUCTION

Approved Lenders applying for Post Facto Insurance must provide certain information and documents. A Request - Certificate of Insurance, form CMHC 530, or the Approved Lender's application form can be used.

APPLICATION
PROCESS

The application process for Post Facto NHA mortgage loan insurance has two stages, as described below.

APPROVAL IN
PRINCIPLE -
FIRST STAGE

Prior to CMHC Local Offices accepting applications for Post Facto Insurance, the Approved Lender must submit an application to CMHC National Office for approval in principle. There is no application fee for this request.

The request for approval in principle is to be directed to:

Director,
Insurance Products Division,
CMHC, National Office
700 Montreal Road
Ottawa, Ontario
K1A 0P7
Telephone: (613) 748-4675
Fax: (613) 748-2606

The following details are required:

Total number of mortgage loans and outstanding balances by:

- Province/Territory;
- Housing type (detached, semi-detached, condominium, townhouse, etc.)
- Loan-to-value ratio at time of loan initiation (less than 65%, and 65% to 75%).

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST FACTO INSURANCE	Loan Application Process	2
		1995-12-08

LOAN APPLICATION -
SECOND STAGE

The individual mortgage loan applications for Post Facto NHA mortgage loan insurance are submitted to the respective CMHC Local Offices once approval in principle has been received from National Office.

The Approved Lender applying for Post Facto NHA mortgage loan insurance must provide certain information and documents, and complete a Request - Certificate of Insurance, form CMHC 530, for each individual mortgage loan.

The Approved Lender's application form is also acceptable provided it contains the same information as normally found on the form CMHC 530.

All applications under this program should clearly indicate that they are POST FACTO INSURANCE applications, and include the required information.

A copy of the real estate listing (if available), and a photo of the property (from origination of the loan) are to be included.

When using the Request - Certificate of Insurance, form CMHC 530, the Approved Lender must make the following changes to the form:

Loan Terms

The interest rate indicated is the contract rate of the existing conventional first mortgage.

The loan term is the current remaining period of the existing term.

The amortization period is the remaining amortization period of the mortgage.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
POST FACTO INSURANCE	Loan Application Process	3
		1995-12-08

LOAN APPLICATION -
SECOND STAGE
(cont'd)

Housing Cost/Price and Financing Details

This box must be completed with information available from origination, e.g., original purchase price, and equity. The Post Facto NHA mortgage loan insurance requested is for the current balance of the mortgage loan.

APPRAISAL
REQUIREMENTS -
BASIC PROCESSING
SERVICE

In order to benefit from CMHC's Basic Processing Service, the Approved Lender must submit an acceptable appraisal report with the application for mortgage loan insurance.

The Approved Lender may wish to use an opinion of value format to update an existing appraisal instead of completing an entirely new appraisal. For additional information, refer to the Appraisal Designation Policy in Section II 9904-02.

PRIME PLUS
PROCESSING SERVICE

As the determination of market value of the property is essential in establishing the applicable insurance premium at the time of NHA mortgage loan insurance application, the Prime Plus Processing Service does not apply to Post Facto Insurance.



CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	Chapter Overview	1
		1992-11-02

INTRODUCTION	This Chapter provides information on the Second Mortgage Insurance Program.
GENERAL	This Section deals with program highlights. (1001-02)
LENDING TERMS	The mandatory mortgage conditions that must be met by Approved Lenders are mentioned. (1001-03)
PREMIUMS AND FEES	This Section deals with the mortgage loan insurance premium schedule, the method of calculation and the underwriting fees. (1001-04)
ELIGIBILITY CRITERIA	Eligible housing, eligible borrowers, the financial requirements of the borrower, the debt service ratio and the GDS applicable to condominiums are described. (1001-05)
LOAN APPLICATION REQUIREMENTS	This Section deals with loan application requirements including documentation and preparing application form CMHC 530, or an acceptable Approved Lender application form. (1002-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	General	1
		1992-11-02

INTRODUCTION

This Subject provides an outline of the highlights of the Second Mortgage Insurance Program.

BACKGROUND

Changes to the National Housing Act enabled CMHC to extend its activities into second mortgage insurance in 1987.

OBJECTIVES

The objectives of the program are as follows:

- second mortgages are being used to facilitate the sale and/or improvement of single homeownership housing units; and
- second mortgages can also be considered as a more attractive alternative to refinancing in some cases.

ADMINISTRATIVE
POLICIES

Administrative policies relating to second mortgages are the same as first mortgages in most instances.

DISPOSITION
OF PROPERTY

The Approved Lender can use his/her discretion regarding the sale, approval of subsequent purchaser, and assumption of the mortgage.

POSTPONEMENT
OF THE MORTGAGE

Approved Lenders may consent to requests for postponement of the mortgage under any of the following conditions: upon renewal of a matured prior first mortgage; refinancing of a prior first mortgage; or increasing the value of the first mortgage.

FIRST MORTGAGE
CONDITIONS

Approved Lenders must ensure that a number of first mortgage conditions are met before considering a second mortgage.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	General	2
		1998-09-11

SECURITY
DOCUMENTS

Second Mortgages may be drafted on CMHC's Series 1000 form with an additional clause requiring the borrower to keep the first mortgage in good standing. Approved Lenders may also use their own security documents.

MAXIMUM/MINIMUM
LOAN

There is no maximum **or minimum** loan **amount**, subject to normal loan-to-value ratios.

MAXIMUM LOAN-TO-VALUE
RATIO

90% of Lending Value

MORE THAN
ONE ADVANCE

The mortgage may be funded through multiple advances.

ELIGIBLE HOUSING

Second mortgage loans can be made on new or existing properties (maximum of **four** units) either under freehold, leasehold, or condominium tenure, intended for home ownership.

ELIGIBLE BORROWERS

Potential borrowers may be eligible under the following conditions:

- purchase and occupation of new or existing housing with or without improvements; or
- rehabilitation of existing housing by owner-occupant.
- **to secure additional financing under portable mortgage insurance. (See II 0304-07)**

LOAN APPLICATION
REQUIREMENTS

To apply for an NHA insured second mortgage, the following documentation is required: real estate listing and photo, offer to purchase, Certificate of Insurance, Form CMHC 530, or an acceptable Approved Lender application form, underwriting fee, first mortgage certificate, etc.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	General	3
		1992-11-02

BORROWERS' CHARGES

Disbursements made in connection with the first mortgage, and fee and appraisal reports are usually acceptable borrowers' charges.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	Lending Terms	1
		1998-09-11

INTRODUCTION

There are mandatory mortgage conditions that must be met by Approved Lenders of first and second mortgages. These are set out below.

FIRST MORTGAGE
CONDITIONS

Approved Lenders must ensure the following first mortgage conditions have been met before considering a second mortgage:

- provision must be made for an acceptable NHA repayment plan;
- borrowers are not permitted an increasing balance;
- first mortgage must be current at the time of second mortgage approval;
- lender must be an NHA Approved Lender, but the mortgage need not necessarily be NHA insured; and
- first mortgage has been on repayment for at least one year and the borrower has an acceptable repayment record. (See NOTE)

NOTE: The one year repayment condition does not apply in cases where a borrower sells the original property and elects to transfer the terms and conditions of the existing mortgage to another property being purchased. (See **Portable Mortgage Insurance II 0304-07**)

The Approved Lender should provide CMHC with all the details related to the terms, conditions and amount being transferred to the new property.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	Lending Terms	2
		1993-05-06

SECOND MORTGAGE
CONDITIONS

Second mortgages may be drafted on CMHC's 1000 Series forms. Approved Lenders should be aware of an additional second mortgage requirement:

- an additional clause on the form is required which states that the borrower must keep the first mortgage in good standing, and that default on the first mortgage constitutes a default on the second mortgage. Approved Lenders are responsible for the wording of the additional clause.

Approved Lenders may also use their own security documents rather than the CMHC 1000 series mortgage forms for the purpose of registering a second NHA insured collateral mortgage. The Approved Lender must ensure that the terms and conditions are no more onerous to the borrower than those contained in the CMHC mortgage document. The collateral security document should contain details as to:

- the interest adjustment date and regular payment amounts;
- basic insurance requirements;
- cross default clause, i.e. default under the first mortgage constitutes a default under the second mortgage; and
- tax payment clauses.

Note: Fluctuating lines of credit secured by a collateral second mortgage are NOT acceptable under this program.

Approved Lenders have the usual options available to them regarding taxes, prepayment privileges, renewals, etc.

Note: Some provinces such as Quebec may require additional clauses for second mortgages. These requirements are to be complied with.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	Lending Terms	3
		1998-09-11

MAXIMUM/MINIMUM
LOAN

There is no maximum **or minimum** loan **dollar** amount in this program, subject to a **maximum loan-to-value ratio of 90%**.

LOAN-TO-VALUE RATIO

For one and two unit buildings, the sum of the first and second mortgages is not to exceed:

- 90% of the lending value.

Note: One unit must be occupied by the owner.

AMORTIZATION
PERIOD

The maximum second mortgage loan amortization period is the lesser of 25 years or the remaining economic life of the asset.

MINIMUM TERM

The minimum term is **6 months including 3 month** interest rate renewal. (See II 0302-05)

INTEREST RATE

CMHC will accept second mortgage loan applications carrying an effective interest rate of up to one half of one per cent over the Approved Lender's conventional NHA first mortgage rate quoted for the same term.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	Premiums and Fees	1
		1998-09-11

INTRODUCTION

The mortgage loan insurance premium represents the total cost of insuring a mortgage loan, provided it remains in force, and continues to be administered by an Approved Lender. Underwriting fees are also charged.

CALCULATION
OF PREMIUM

Mortgage loan insurance premiums are calculated as follows:

THE LESSER OF		
	A	OR B
Combined 1st & 2nd Mortgage Loan-to- Value Ratio	Premium as a % of 1st & 2nd Mortgage Amount	Premium as a % of 2nd Mortgage Amount
Up to and including:		
65%	0.50	5.0
75%	0.75	5.0
80%	1.25	5.0
85%	2.00	5.0
90%	2.50	5.0

Note: A 0.5% premium surcharge will be added to the mortgage loan insurance premium when the applicant requires more than one advance.

UNDERWRITING FEE

The underwriting fee for basic processing service is \$75.00 per application. The full processing service fee is \$235.00.
(See II 0205-02)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	Eligibility Criteria	1
		1998-09-11

INTRODUCTION

NHA insured second mortgages through an Approved Lender are available for the purchase or renovation of certain types of housing to eligible borrowers. Details on eligible housing and borrowers are set out below.

ELIGIBLE HOUSING

Second mortgage loans can be made on the following types of new and existing units under the provisions indicated:

- leasehold, subject to the lease being approved by CMHC;
- freehold; or
- condominium.

Renovations must be made in accordance with CMHC prescribed standards.

ELIGIBLE BORROWERS

Potential borrowers may be eligible under the following conditions:

- purchase and occupation of new or existing housing with or without improvements; or
- rehabilitation of existing housing by owner/occupant.
- **to secure additional financing under portable mortgage insurance. (See II 0304-07)**

FINANCIAL
REQUIREMENTS
OF BORROWER

The borrower must have the financial capability to service the second mortgage loan. In particular he/she must meet the **equity, income and credit worthiness eligibility requirements as set out in II 0102-02.**

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SECOND MORTGAGE INSURANCE PROGRAM - GENERAL	Eligibility Criteria	2
		1998-09-11

DEBT SERVICE RATIOS

Any differential between the existing first mortgage interest rate and the current 3 year rate may only be recognized for Gross Debt Service (GDS) and Total Debt Service (TDS) purposes if the outstanding term, at time of **application for second mortgage financing**, is at least three years.

The maximum differential between the current first mortgage rate and the existing first mortgage rate to be used in calculating the GDS/TDS ratios is 3 per cent. If the differential is greater **at time of application for second mortgage financing**, the borrower must **be re-qualified**. (See II 0102-03)

CONDOMINIUM GDS

The GDS is calculated on principal and interest for first and second mortgages combined, property taxes, space heating costs and if applicable, 50% of the estimated condominium fees. Any heating costs included in condominium fees must first be deducted.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN APPLICATION REQUIREMENTS	Overview	1
		1992-11-02

INTRODUCTION

This Section provides details on loan application under the Second Mortgage Insurance Program.

DOCUMENTATION

Approved Lenders applying for Second Mortgage Insurance must provide certain information and documents.

(1002-02)

PREPARATION OF
APPLICATION FORM-
CMHC FORM 530

Approved Lenders may use CMHC Form 530 or an acceptable Approved Lender application form for Second Mortgage Insurance subject to changes in the boxes indicated.

(1002-03)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN APPLICATION REQUIREMENTS	Documentation	1
		1993-01-15

INTRODUCTION

Approved Lenders applying for second mortgage insurance must provide certain information and documents, and complete a CMHC Form 530 or an acceptable Approved Lender application form.

To apply for an NHA insured second mortgage the following documentation is required.

REAL ESTATE LISTING/
PHOTO

A copy of the real estate listing (if available) and a recent photo of the property.

OFFER TO PURCHASE

A photocopy of the signed Offer to Purchase.

CMHC FORM 530
APPLICATION

Completion of CMHC Form 530 - Request - Certificate of Insurance. For details on how to complete, see 1002-03.

FEE

The underwriting fee: Basic Processing Service is \$75.00 per application and Full Processing Service is \$235.00 per application.

FIRST MORTGAGE
DETAILS

First mortgage details including:

- confirmation of the principal balance outstanding,
- interest rate,
- interest adjustment date,
- remaining term,
- amortization period (original and current),
- statement that the mortgage is current,
- name of mortgagee.

INSURANCE INITIATION

II 1002-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN APPLICATION REQUIREMENTS	Documentation	2
		1992-11-02

REPAIRS

If applicable, the Approved Lender must list the intended repairs/improvements including costs and plans.

FIRST MORTGAGE
CERTIFICATE

The Approved Lender is responsible for obtaining and retaining a first mortgage certificate confirming the terms and balance of the first mortgage and, that it is in good standing.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
LOAN APPLICATION REQUIREMENTS	Preparation of Application Form-CMHC 530	1
		1992-11-02

INTRODUCTION

The existing CMHC Form 530 is the application form to apply for second mortgage insurance. **Approved Lenders may also use their own application forms.**

The following changes should be made in the boxes when completing the application.

PROPERTY
IDENTIFICATION
BOX

In the Legal Description section of this box please indicate that this is a second mortgage.

BORROWER(S) BOX

In the Ratio GDS (Gross Debt Service) to Income Section, GDS must include payments for the first and second mortgage.

HOUSING FINANCING
DETAILS BOX

"NHA Mortgage Loan" should be changed to "1st Mortgage Loan". Please add "Secondary Financing", and insert the second mortgage amount.

LOAN DETAILS BOX

In the Comments section, the Approved Lender should show the calculation of the mortgage loan insurance premium.



CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPENDIX - GENERAL	Chapter Overview	1
		1998-10-30

INTRODUCTION

This Chapter allows for supplementary material to be added to the manual. The following is an overview of its Sections.

APPENDIX - GENERAL

This Section contains a glossary of words and phrases that the reader may encounter in the manual which have not been explained within the context of the subject matter. Also included are instructions regarding the requisition of mortgage forms from CMHC.

(9901-02)

STANDARD
MORTGAGE TERMS

In the provinces of **Alberta**, British Columbia, Manitoba and Ontario, standard mortgage/charge terms are permitted to be filed and incorporated into a mortgage.

(9902-01)

MANDATORY MORTGAGE
CLAUSES

Section **9902-06** contains the mandatory mortgage clauses to be included in all homeowners mortgage documents other than the CMHC 1000 series mortgage forms, which are used to secure a homeowner mortgage loan insured under the National Housing Act (NHA).

(9902-06)

GST, FST AND NHA
MORTGAGE LOAN
INSURANCE

This Section contains information relating to the Goods and Services Tax housing rebate as well as the Federal Sales Tax rebate.

(9903-01)

APPRAISAL
DESIGNATION POLICY

This Section contains information on the Real Estate/Appraisal Association Selection Criteria as well as the Appraisal Product Performance Criteria.

(9904-01)

95% FINANCING

This Section contains information relating to the 95% Financing mortgage loan insurance.

(9905-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPENDIX - GENERAL	Chapter Overview	2
		1996-04-13

SINGLE RESOURCE
INDUSTRY COMMUNITY
POLICY

This Section provides information on Single
Industry Resource Industry Community Policy.

(9907-01)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPENDIX - GENERAL	Glossary	1
		1998-09-11

APPROVED LENDER	An Approved Lender who is authorized by CMHC to make and administer loans insured under the National Housing Act.
CMHC	Abbreviation for Canada Mortgage and Housing Corporation which administers the National Housing Act.
EPM	Equal Payment Mortgage.
GDS	Gross Debt Service Ratio is a measure of a borrower's ability to repay a loan. It relates income to shelter costs.
IAD	Interest Adjustment Date.
ILM	Indexed Linked Mortgage (Co-op)
MORTGAGE CORRESPONDENT	An agent designated by an Approved Lender to act on the Approved Lender's behalf in the processing of NHA loans in a specified geographic area.
NHA	Abbreviation for the National Housing Act.
TDS	Total Debt Service ratio relates to the carrying costs of both shelter and consumer debt to gross income.
VRM	Variable Rate Mortgage.
SRIC	Single Resource Industry Community is a community, whose economic welfare is highly dependent on business activities of a small number of resource industries.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPENDIX - GENERAL	Forms Requisition	1
		1995-12-20

INTRODUCTION

Approved Lenders may use their own mortgage documents, with specific mandatory clauses, to document an NHA insured homeowner loan. For Approved Lenders electing to use the CMHC 1000 series mortgage forms, CMHC will continue to supply stocks of all forms required to process NHA Loan applications to the Head Office of the Approved Lender on receipt of the appropriate requisition.

MORTGAGE FORMS

CMHC 1000 series mortgage forms are supplied subject to a charge sufficient to offset printing, shipping and handling costs. Forms are supplied in whatever quantity is requested and paid for. Prices are subject to change without prior notification.

To requisition CMHC's mortgage forms, use the Approved Lender Head Office Requisition - Mortgages, CMHC 3D.

Note: A complete list of optional provincial mortgage forms can be found in II 9901-04.

OTHER FORMS

Other forms mentioned in this Manual and in Administrative Guides are supplied in sufficient quantities to enable the Approved Lender to maintain a 6-12 month stock.

Approved Lenders are expected to control subsequent forms distribution within their branch system, using the same care and discretion as is practiced in other Approved Lender activities.

To requisition other forms, use the Approved Lender Head Office Requisition - Forms, CMHC 3C.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPENDIX - GENERAL	Forms Requisition	2
		1995-12-20

SUBMITTING
FORMS

Requisition Forms CMHC 3C and CMHC 3D are to be directed to:

Procurement Section
Administration Division
Canada Mortgage and Housing Corporation
700 Montreal Road
Ottawa, Ontario
K1A 0P7
Tel.: (613) 748-2157
Fax: (613) 748-2998

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
MORTGAGE FORMS	By Province	1
		1998-10-30

CMHC 1000	Mortgage - Newfoundland
CMHC 1001	Mortgage - Newfoundland (Leasehold)
CMHC 1002	Mortgage - Nova Scotia
CMHC 1003	Mortgage - Prince Edward Island
CMHC 1004	Registry - New Brunswick
SCHL 1004	Hypothèque - Nouveau-Brunswick
CMHC 1005	Deed of Loan and Hypothec Quebec
SCHL 1005	Acte de prêt - Québec
CMHC 1007	Charge - Ontario Land Titles
SCHL 1007	Charge - Ontario
CMHC 1008	Mortgage - Manitoba
SCHL 1008	Hypothèque - Manitoba
CMHC 1009	Mortgage - Saskatchewan
CMHC 1010 CALGARY	Standard Mortgage Terms - Calgary
CMHC 1010 EDMONTON	Standard Mortgage Terms - Edmonton
CMHC 1010	Mortgage - Alberta
CMHC 1011	Mortgage - British Columbia
CMHC 1012	Mortgage - Northwest and Yukon (Territories)
CMHC 1014	Mortgage - New Brunswick Land Titles
SCHL 1014	Hypothèque - Nouveau-Brunswick Enregistrement foncier
CMHC 1793	Mortgage - Nova Scotia (Condo. Unit)

CMHC MORTGAGE LOAN INSURANCE

Section MORTGAGE FORMS	Subject By Province	Page 2 1995-12-20
---------------------------	------------------------	-------------------------

CMHC 1885	Mortgage - Saskatchewan (Condo. Unit)
CMHC 1998	Mortgage - New Brunswick (Condo. Unit)
CMHC 2129	Mortgage - Alberta Leasehold (Blended)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Overview	1
		1998-10-30

INTRODUCTION

In the provinces of **Alberta**, British Columbia, Manitoba, and Ontario, standard mortgage/charge terms are permitted to be filed and incorporated into a mortgage.

The Subjects in this Section are described below.

ALBERTA - STANDARD CHARGE TERMS

In Alberta, the Land Title Act was amended in 1996 and in 1997. The amendments permit the filing of standard mortgage terms to be incorporated into a mortgage. Standard mortgage terms have been filed by CMHC. The first one for Calgary was filed on February 24, 1998 as Document Filing No. 981056195. The second one for Edmonton was also filed on February 24, 1998 as Document Filing No. 982053533.

(9902-05)

BRITISH COLUMBIA - CMHC STANDARD CHARGE MORTGAGE

The Land Title Amendment Act came into effect in the province of British Columbia on 1 April 1990, in regard to permitting a set of standard mortgage/charge terms to be filed and incorporated into a mortgage. A set of standard mortgage terms has been filed by CMHC. The filing date was 6 April 1990 and the filing number is MT900183.

(9902-02)

MANITOBA - REAL PROPERTY (AMENDMENT) ACT

The Real Property Act in Manitoba, along with various other provincial Acts, permit a set of standard mortgage charge terms to be filed and incorporated into a mortgage by reference to its serial number. For all insured freehold, leasehold, and condominium mortgage loans registered after November 1, 1989, the standard mortgage charge terms may be incorporated into the mortgage by reference to serial number 1028245 for the English version, and 1155267 for filing the standard terms in French.

(9902-03)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Overview	2
		1998-10-30

ONTARIO - LAND
REGISTRATION
REFORM ACT

The Land Registration Reform Act, 1984, in Ontario, permits a set of standard mortgage charge terms to be filed and incorporated into a charge or a mortgage by reference to its filing number. For all insured freehold and condominium mortgage loans secured by a charge/ mortgage registered after August 1, 1986, the standard charge terms may be incorporated into the mortgage by reference to filing number 8616.

For insured leasehold mortgage loans, standard charge terms will be incorporated into the charge as above and leasehold provisions will be added by means of a schedule. The wording for use in such schedules must be approved in advance by CMHC. Leasehold provisions will be added to the standard charge terms at a subsequent revision.

(9902-04)

MANDATORY HOMEOWNER
MORTGAGE CLAUSE

Approved Lenders may use their own conventional mortgage documents, containing certain mandatory clauses, in place of the CMHC 1000 series mortgage forms. This section contains the mandatory mortgage clauses for use in Approved Lenders' conventional mortgage documents securing NHA homeowner insured mortgage loans.

(9902-06)

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page: 1
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

STANDARD MORTGAGE TERMS

Filed by CANADA MORTGAGE AND HOUSING CORPORATION

Document Filing No.: MT900183

Filing Date: April 6, 1990

The following set of Standard Mortgage Terms shall be deemed to be included in every mortgage in which the set is referred to by its document filing number, as provided by Section 219.1(5)(b) of the Land Title Act R.S.B.C. 1979 c. 219 and amendments thereto.

1. COVENANT TO PAY

- (a) The Mortgagor shall pay to the Mortgagee in lawful money of Canada the principal referred to in paragraph 5(a) of Part 1 of the mortgage of which these Standard Mortgage Terms form a part with interest thereon at the rate referred to in paragraph 5(b) of Part 1 of the mortgage (the "mortgage rate") in the manner and upon the terms referred to in the mortgage and shall observe and perform all covenants, provisos, terms, conditions and agreements contained in the mortgage;
- (b) The Mortgagor covenants and agrees to pay to the Mortgagee interest on the amounts from time to time advanced at the mortgage rate computed from the respective dates of such advances, such interest to become due and payable within one month from the date of the first advance on the date that the Mortgagee determines and thereafter in the manner provided in clause 1(a) and all interest on becoming overdue shall be forthwith treated (as to payment of interest thereon) as principal and shall bear compound interest at the mortgage rate as well after as before maturity of the mortgage, all interest to be computed with rests and paid on the interest adjustment date and semi-annually thereafter in each year and all such interest and compound interest shall be a charge on the Land referred to in paragraph 2 of Part 1 of the mortgage (the "said lands"). In the event of non-payment of any of the money hereby secured at the times set for payment in the mortgage, the Mortgagor agrees to pay interest at the mortgage rate on the same so long as any part thereof remains unpaid;
- (c) All money whether principal, interest or other money payable to the Mortgagee under the terms of the mortgage shall be payable in lawful money of Canada to the Mortgagee at its head office or such other place as may be designated by the Mortgagee.

2. APPLICATION OF PAYMENTS

Provided that if the mortgage is repayable by blended instalments of principal and interest, the instalments payable under the mortgage are to be applied firstly on account of interest calculated as provided in the mortgage on the principal money from time to time outstanding and the balance of the said instalments shall be applied on account of principal; provided, however, in the case of default by the Mortgagor, the Mortgagee may apply any payments received during any period of such default in whatever order it may elect as between principal, interest, taxes, repairs, insurance premiums or other advances made on behalf of the Mortgagor.

3. PREPAYMENT PRIVILEGE

- (a) Provided that the Mortgagor when not in default hereunder shall have the privilege of paying an additional amount on account of principal, not in excess of 10% of the original amount of this mortgage, on the first anniversary of the interest adjustment date specified in paragraph 5(c) of Part 1 of the mortgage or, if no date is specified therein, the first anniversary of the date specified in paragraph 5(f) of Part 1 of the mortgage and a similar amount on account of principal on the second anniversary of the said date, upon payment, by way of bonus, of three months' interest on the amount of any such additional payment, it being agreed that such privilege shall not be cumulative;
- (b) Provided that on the third anniversary of the interest adjustment date and on any monthly instalment date thereafter, the Mortgagor, when not in default hereunder, shall have the privilege of paying the whole amount owing hereunder, or any part thereof, upon payment, by way of bonus, of three months' interest on the amount of any such additional payment;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	2
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

- (c) Provided, however, that if the mortgage covers a rental housing project, as defined in the National Housing Act, the foregoing additional payment privileges shall not apply, but the Mortgagor, when not in default hereunder, shall have the privilege of paying, on the fifth anniversary of the interest adjustment date, or on any monthly instalment date thereafter, the whole amount owing hereunder, upon payment, by way of bonus, of three months' interest on the principal amount then outstanding;
- (d) Provided that when any partial additional payments are made the amount thereof shall be equal to the sum of the principal portions of a number of consecutive monthly instalments which would otherwise become due hereunder next following the date upon which such additional payment is made, and the payment dates of all remaining instalments and of the balance owing hereunder shall be accelerated so that the Mortgagor shall pay the aforesaid monthly instalment in each and every month, commencing with the month immediately following the month in which the additional payment is made and continuing until all money owing hereunder shall have been fully repaid.

4. TAXES

Subject as hereinafter in this clause provided, the Mortgagor agrees to pay when and as the same shall fall due all taxes, rates, liens, charges, encumbrances or claims which are or may be or become charges or claims against the said lands or on the mortgage or on the Mortgagee in respect of the mortgage; provided that in respect of municipal taxes, school taxes and local improvement rates (hereinafter referred to as "taxes") chargeable against the said lands:

- (a) The Mortgagee may deduct from the final advance of the money secured by the mortgage an amount sufficient to pay the taxes which have become or will become due and payable on or before the day preceding the interest adjustment date and are unpaid at the date of such final advance;
- (b) After the interest adjustment date the Mortgagor shall pay to the Mortgagee in monthly instalments on the dates on which instalments of principal and interest are payable pursuant to the mortgage, sums sufficient to enable the Mortgagee to pay the whole amount of taxes on or before the due date for payment thereof or, if such amount is payable in instalments, on or before the due date for payment of the first instalment thereof;
- (c) Where the period between the interest adjustment date and the next following annual due date or first instalment date is less than one year, the Mortgagor shall pay to the Mortgagee in equal monthly instalments, during such period and during the next succeeding 12 month period, an amount estimated by the Mortgagee to be sufficient to pay, on or before the expiration of the said 12 month period, all taxes which shall become due and payable during the said two periods and during the balance of the year in which the said 12 month period expires; and the Mortgagor agrees to pay to the Mortgagee on demand the amount, if any, by which the actual taxes exceed such estimated amount;
- (d) Except as provided in clause 4 (c) the Mortgagor shall, in each and every month, pay to the Mortgagee one-twelfth of the amount (as estimated by the Mortgagee) of the taxes next becoming due and payable; and the Mortgagor shall pay to the Mortgagee on demand the amount, if any, by which the actual taxes exceed such estimated amount;
- (e) The Mortgagee shall allow the Mortgagor credit for interest at not less than the prevailing rate allowed by the chartered banks on personal savings deposits with chequing privileges, on the minimum balance standing in the mortgage account from time to time to the Mortgagor's credit for payment of taxes, such interest to be credited to the mortgage account not less frequently than once each year; and the Mortgagor shall be charged interest, at the mortgage rate, on the debit balance, if any, of taxes in the mortgage account outstanding after payment of taxes by the Mortgagee, until such debit balance is fully repaid;
- (f) The Mortgagee agrees to apply the deduction and payments referred to in clauses 4(a) to (d), inclusive, on the taxes chargeable against the said lands so long as the Mortgagor is not in default under any covenant, proviso or agreement contained in the mortgage, but nothing contained herein or in the mortgage shall obligate the Mortgagee to apply such payments on account of taxes more often than yearly. Provided, however, that if, before any sum or sums so paid to the Mortgagee shall have been so applied, there shall be default by the Mortgagor in respect of any payment of principal or interest as herein provided, the Mortgagee may apply such sum or sums in or towards payment of the principal and or interest in default. The Mortgagor further covenants and agrees to transmit to the Mortgagee the assessment notices, tax bills and other notices affecting the imposition of taxes forthwith after the receipt of same by the Mortgagor;
- (g) Notwithstanding the provisions of clause 1 and clauses 4 (a) to 4 (f) inclusive, the Mortgagee may, with the approval of Canada Mortgage and Housing Corporation, request the Mortgagor to pay the taxes when and as such taxes become due and to submit to the Mortgagee tax receipts evidencing the payment of the said taxes within 30 days after they become due, and in such case, the aforesaid monthly instalment, where applicable, will be adjusted accordingly.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	3
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

5. INSURANCE

The Mortgagor shall forthwith insure and during the continuance of the mortgage keep insured in favour of the Mortgagee, against loss or damage by fire and, as the Mortgagee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, floods and other risks or hazards, each and every building on the said lands and which may hereafter be erected thereon, both during erection and thereafter, for the full replacement value thereof in lawful money of Canada with a company approved by the Mortgagee; and the Mortgagor shall forthwith assign, transfer and deliver over unto the Mortgagee the policy of insurance and receipts thereof appertaining; and if the Mortgagor shall neglect to keep the said buildings or any of them insured as aforesaid, or to deliver such policies and receipts or to produce to the Mortgagee at least five days before the termination of any insurance, evidence of renewal thereof, the Mortgagee shall be entitled, but shall not be obliged, to insure the said buildings or any of them; and the Mortgagor shall forthwith on the happening of any loss or damage, furnish at its expense all necessary proofs and do all necessary acts to enable the Mortgagee to obtain payment of the insurance money; and any insurance money received may, at the option of the Mortgagee, be applied in rebuilding, reinstating or repairing the said lands or be paid to the Mortgagor or to any other person appearing by the registered title to be or to have been the owner of the said lands or be applied or paid partly in one way and partly in another, or it may be applied, in the sole discretion of the Mortgagee, in whole or in part on the mortgage debt or any part thereof whether due or not then due.

6. CONSTRUCTION

The Mortgagor agrees to construct a building or buildings and other improvements on the said lands in accordance with plans and specifications which have been or are hereafter approved by Canada Mortgage and Housing Corporation and by the Mortgagee and will carry on diligently to completion the construction of the said building, buildings and other improvements.

7. ENTRY AFTER DEFAULT

The Mortgagor covenants and agrees with the Mortgagee that in the event of default in the payment of any instalment or any other money payable hereunder or on breach of any covenant, proviso or agreement herein contained, after all or any part of the money hereby secured has been advanced, the Mortgagee may at such time or times as the Mortgagee may deem necessary and without the concurrence of any person, enter upon the said lands and may make such arrangements for completing the construction of, repairing or putting in order any buildings or other improvements on the said lands, or for inspecting, taking care of, leasing, collecting the rents of and managing generally the said lands as the Mortgagee may deem expedient; and all reasonable costs, charges and expenses, including allowances for the time and service of any employee of the Mortgagee or other person appointed for the above purposes, shall be forthwith payable to the Mortgagee and shall be a charge upon the said lands and shall bear interest at the mortgage rate until paid.

8. REMEDIES

- (a) The Mortgagor covenants and agrees with the Mortgagee that in the event of default being made in the payment of the money hereby secured or any part thereof or in case of the breach or non-performance of any of the covenants, agreements, provisos or stipulations expressed or implied herein or upon any waste being committed or suffered on the said lands: The Mortgagee may, at the expense of the Mortgagor and when and to such extent as the Mortgagee deems advisable, observe and perform or cause to be observed and performed such covenant, agreement, proviso or stipulation; the Mortgagee may send or employ an inspector or agent to inspect and report upon the title to the said lands; the Mortgagee or agent of the Mortgagee may enter into possession of the said lands and whether in or out of possession collect the rent and profit thereof, and make any demise or lease of the said lands or any part thereof, for such term and period and at such rent as the Mortgagee shall think proper; and the power of sale hereunder may be exercised either before or after and subject to any such demise or lease; it shall and may be lawful for and the Mortgagor does hereby grant full power, right and licence to the Mortgagee to enter, seize and distrain upon the said lands, or any part thereof, and by distress warrant to recover by way of rent reserved as in the case of demise of the said lands, as much of the mortgage money as shall from time to time be or remain in arrears and unpaid, together with all costs, charges and expenses attending such levy or distress, as in like cases of distress for rent; the Mortgagee may sell and dispose of the said lands with or without entering into possession of the same and with or without notice to the Mortgagor or any party interested in the said lands; and all remedies competent may be resorted to and all the rights, powers and privileges granted to or conferred upon the Mortgagee under and by virtue of any statute or by the mortgage may be exercised; and any notice may be effectually given by leaving the same with an adult person on the said lands if occupied, or by placing the same thereon, or on any part thereof if unoccupied, or at the option of the Mortgagee by publishing the same in a newspaper published in the Province of British Columbia; and such notice shall be sufficient though not otherwise addressed than "To whom it may concern"; and no want of notice or publication or any other defect, impropriety or irregularity shall invalidate any sale made or purporting to be made of the said lands hereunder; and the Mortgagee may sell, transfer and convey any part of the said lands on such terms of credit or part cash and part credit, secured by

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	4
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

contract or agreement for sale or mortgage, or otherwise, as shall appear to the Mortgagee most advantageous and for such price as can reasonably be obtained therefor; and in the event of a sale on credit or for part cash and part credit, whether by way of contract for sale or by conveyance or transfer and mortgage, the Mortgagee is not to be accountable for or charged with any money until the same shall be actually received in cash; and sales may be made from time to time of parts of the said lands to satisfy interest or parts of the principal overdue, leaving the principal or parts thereof to run with interest payable at the mortgage rate; and the Mortgagee may make any stipulations as to title or evidence or commencement of title or otherwise as the Mortgagee shall deem proper, and may buy in or rescind or vary any contract for sale; and on any sale or resale, the Mortgagee shall not be answerable for loss occasioned thereby; and for any of such purposes the Mortgagee may make and execute all agreements and assurances that the Mortgagee shall deem advisable or necessary; the whole of the mortgage money shall, at the option of the Mortgagee, become due and payable.

- (b) The Mortgagor further covenants and agrees with the Mortgagee that the taking of a judgment on any of the covenants or agreements herein contained shall not operate as a merger thereof; the Mortgagee may at all times release any part or parts of the said lands or any other security or any surety for payment of all or any part of the money hereby secured or may release the Mortgagor or any other person from any covenant or other liability to pay the said money or any part thereof, either with or without any consideration therefor, and without being accountable for the value thereof or for any money except that actually received by the Mortgagee, and without thereby releasing any other part of the said lands, or any other securities or covenants herein contained; it being especially agreed that notwithstanding any such release the portion of the said lands, securities and covenants remaining unreleased shall stand charged with the whole of the money hereby secured; no extension of time given by the Mortgagee to the Mortgagor, or anyone claiming under the Mortgagor, or any other dealing by the Mortgagee with the owner of the equity of redemption of the said lands, shall in any way affect or prejudice the rights of the Mortgagee against the Mortgagor or any other person liable for payment of the money hereby secured.

9. BUILDINGS

It is the intention of the parties hereto that the building or buildings now erected, being erected or to be erected on the said lands form part of the security for the full amount of the money secured by the mortgage and that advances on the mortgage are to be made from time to time in the future in accordance with the progress of construction of such building or buildings and/or upon their completion and occupation or sale; and the Mortgagor agrees that neither the execution nor registration of the mortgage nor the advance of part of the said money shall bind the Mortgagee to advance the said money or any unadvanced part thereof, and that the advance of the said money or any part thereof from time to time shall be in the sole discretion of the Mortgagee.

10. FIXTURES

All erections and improvements fixed or otherwise now on or hereafter put upon the said lands or put upon any buildings located upon the said lands, including, without limiting the generality of the foregoing, all fences, heating, plumbing, air-conditioning, ventilating, lighting and water heating equipment, cooking and refrigeration equipment, washing and drying equipment, window blinds, storm windows and storm doors, window screens and screen doors, and all apparatus and equipment appurtenant thereto are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the realty and of the security and are included in the term "said lands", and the Mortgagor shall not commit or permit any act of waste thereon; and the Mortgagee shall, at all times during the continuance of the mortgage, repair, maintain, restore, amend, keep, make good, finish, add to and put in order the said lands; and in the event of any loss or damage thereto or destruction thereof the Mortgagee may give notice to the Mortgagor to repair, rebuild or reinstate the said lands within a time to be determined by the Mortgagee and to be stated in such notice; and upon the failure of the Mortgagor so to repair, rebuild, or reinstate within such time, such failure shall constitute a breach of covenant hereunder and thereupon the mortgage money shall, at the option of the Mortgagee, become immediately due and payable, without any demand by the Mortgagee upon the Mortgagor.

11. PRIOR ENCUMBRANCES

- (a) It is further stipulated, provided and agreed that the Mortgagee may pay the amount of any encumbrance, lien or charge now or hereafter existing or to arise or to be claimed upon the said lands having priority over the mortgage, including any taxes or other rates on the said lands or any portion of the said lands, or any amounts payable to a strata corporation, and may pay all costs, charges and expenses and all solicitors' charges or commissions as between a solicitor and client, which may be incurred in taking, recovering and keeping possession of the said lands and generally in any proceedings or steps of any nature whatever properly taken in connection with or to realize upon the mortgage, or in respect of the collection of any overdue interest, principal, insurance premiums, strata fees or any other money whatsoever payable by the Mortgagor hereunder whether any action or any judicial proceedings to enforce such payments has or have been taken or not and the amount of insurance premiums for fire or other risks or hazards so paid and any other money paid hereunder by the Mortgagee shall be added to the debt hereby secured and be a charge on the said lands and shall bear

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	5
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

interest at the mortgage rate and shall be payable forthwith by the Mortgagor to the Mortgagee and the non-payment of such amount shall be a default under the mortgage and shall entitle the Mortgagee to exercise the power of sale and all other remedies hereby given or otherwise available to the Mortgagee. In the event of the Mortgagee paying the amount of any such encumbrance, lien or charge, taxes or rates, either out of the money advanced under the mortgage or otherwise it shall be entitled to all the rights, equities and securities of the person or persons, company, corporation or government so paid, and is hereby authorized to retain any discharge thereof, without registration, for such period of time as the Mortgagee deems appropriate.

- (b) In the event of the mortgage money advanced hereunder, or any part thereof, being applied to the payment of any charge or encumbrance, the Mortgagee shall be subrogated to all the rights of and stand in the position of and be entitled to all the equities of the party so paid, whether such charge or encumbrance has or has not been discharged; and the decision of the Mortgagee as to the validity or amount of any advance or disbursement made under the mortgage or of any claim so paid shall be final and binding on the Mortgagor; the Mortgagee shall not be charged with any money receivable or collectible out of the said lands or otherwise, except those actually received; and all revenue of the said lands received or collected by the Mortgagee from any source other than payment by the Mortgagor may, at the option of the Mortgagee, be used in maintaining or insuring or improving the said lands, or in payment of taxes or other charges against the said lands, or applied on the mortgage account.

12. MORTGAGE EXPENSES

All solicitor's, inspector's, valuator's and surveyor's fees and expenses for drawing and registering the mortgage and for examining the said lands and the title thereto, and for making the mortgage or maintaining the mortgage as a first charge on the said lands, together with all sums which the Mortgagee may and does from time to time advance, expend or incur hereunder as principal, insurance premiums, taxes or rates, or in or toward payment of prior liens, charges, encumbrances or claims charged or to be charged against the said lands or on the mortgage or on the Mortgagee in respect of the mortgage, and in maintaining, repairing, restoring or completing the said lands, and in inspecting, leasing, managing, or improving the said lands, including the price or value of any goods of any sort or description supplied to be used on the said lands, and in exercising or enforcing or attempting to enforce or in pursuance of any right, power, remedy or purpose hereunder or subsisting, and legal costs as between a solicitor and client, and an allowance for the time, work and expense of the Mortgagee, or of any agent, solicitor or employee of the Mortgagee, for any purpose herein provided for and whether such sums are advanced or incurred with the knowledge, consent, concurrence or acquiescence of the Mortgagor or otherwise, are to be secured hereby and shall be a charge on the said lands, together with interest thereon at the mortgage rate, and all such money shall be repayable to the Mortgagee on demand, or if not demanded then with the next ensuing instalment, except as otherwise herein provided, and all such sums together with interest thereon are included in the term "mortgage money".

13. ALTERATIONS

The Mortgagor shall not make, or permit to be made, any alterations or additions to the said lands without the consent of the Mortgagee; and the Mortgagor shall not use the said lands or permit them to be used for the purpose of any hotel, business, trade or manufacture of any description; and the Mortgagee or agent of the Mortgagee or agent of Canada Mortgage and Housing Corporation may, at any time, enter upon the said lands to inspect the said lands and buildings thereon.

14. EXERCISE OF POWERS

Any discretion, option, decision or opinion hereunder on the part of the Mortgagee shall be sufficiently exercised or formed if exercised or formed by or subsequently ratified by the manager, acting manager or assistant manager of any branch office of the Mortgagee in the Province of British Columbia or an executive officer of the Mortgagee or any officer or agent appointed by the Mortgagee for such purposes.

15. WASTE

The Mortgagor covenants and agrees with the Mortgagee that the Mortgagor will not permit waste to be committed or suffered on the said lands and that the Mortgagor will maintain the said lands in good order and repair to the satisfaction of the Mortgagee.

16. OBLIGATIONS SURVIVE SALE

No sale or other dealing by the Mortgagee with the said lands or any part thereof shall in any way change the liability of the Mortgagor or in any way alter the rights of the Mortgagee as against the Mortgagor or any other person liable for payment of the mortgage money.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	6
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

17. DUE ON SALE

In the event that:

- (a) The Mortgagor sells, conveys, transfers or enters into any agreement of sale or transfer of title to the said lands to a purchaser, grantee or transferee not approved in writing by the Mortgagee, or
- (b) Such a purchaser, grantee or transferee fails to:
 - (i) apply for and receive the Mortgagee's written approval as aforesaid,
 - (ii) personally assume all obligations of the Mortgagor under the mortgage, and
 - (iii) execute an assumption agreement in the form required by the Mortgagee,

then, at the option of the Mortgagee the mortgage money shall forthwith become due and payable.

18. EXTENSION

Provided that no extension of time given by the Mortgagee to the Mortgagor or anyone claiming under the Mortgagor or any other dealing with the owner of the said lands shall in any way affect or prejudice the right of the Mortgagee against the Mortgagor or any other person liable for the payment of the mortgage money.

19. GOOD TITLE

The Mortgagor covenants and agrees with the Mortgagee that the Mortgagor has a good title to the said lands, that the Mortgagor has the right to convey the said lands to the Mortgagee, that the Mortgagor has done no act to encumber the said lands, that the Mortgagor will execute such further assurances of the said lands as may be required from time to time by the Mortgagee, and that on default the Mortgagee shall have quiet possession of the said lands, free from all encumbrances.

20. DISCHARGE

The Mortgagee shall have a reasonable time after payment of the mortgage money in full within which to prepare and execute a discharge of the mortgage; and interest at the mortgage rate shall continue to run and accrue until actual payment in full has been received by the Mortgagee; and all legal and other expenses for the preparation and execution of such discharge shall be borne by the Mortgagor.

21. SEVERABILITY

The Mortgagor and Mortgagee agree that in the event that at any time any provision of the mortgage is illegal or invalid under or inconsistent with the provisions of any applicable statute or regulation thereunder or would by reason of the provisions of any such statute or regulation render the Mortgagee unable to collect the amount of any loss sustained by it as a result of making the above recited loan which it would otherwise be able to collect under such statute, then such provision shall not apply and shall be construed so as not to apply to the extent that it is so illegal, invalid or inconsistent or would so render the Mortgagee unable to collect the amount of any such loss. In the event that any provision of the mortgage shall be deemed illegal or invalid, then the particular provision or provisions or part of the provision shall be deemed severed from the remainder of the mortgage and all other provisions of the mortgage shall remain in full force and effect.

22. STRATA TITLE PROVISIONS

If all or any part of the said lands are or become a strata lot:

- (a) The Mortgagor will observe and perform, all the covenants and provisions required to be observed and performed under or pursuant to the terms of this mortgage, the Condominium Act, and any by-laws, rules and regulations that may be passed by the strata corporation (herein called the "Strata Corporation") or any special interest section thereof of which the Mortgagor is a member by virtue of his/her interest in the strata lot or lots hereby charged.
- (b) The Mortgagor will pay, on or before the due dates thereof, the share of common expenses and each and every assessment, contribution or levy made by the Strata Corporation or any special interest section thereof against the strata lot or lots and interest in the common property hereby charged. In the event that the Mortgagor fails to pay the share of the common expenses or fails to pay any one or more assessments, contributions or levies on or before their due date, or in the event that the Strata Corporation or any special interest section thereof registers a certificate in Form B of the Schedule to the Condominium Act in any Land Title Office, such event shall constitute default under this mortgage. Should the Mortgagor fail to pay the share of the common expenses, assessment, contribution or levy, the Mortgagee may make that payment but shall not be obliged to do so. Any amount so paid by the Mortgagee shall be added to and form part of the money hereby secured and that amount together with interest thereon shall be paid to the Mortgagee forthwith without demand.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	7
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

- (c) The Mortgagor will forward to the Mortgagee within ten days of demand by the Mortgagee a certificate in Form A of the Schedule to the Condominium Act certifying that no money is owing to the Strata Corporation by the Mortgagor.
- (d) The Mortgagor will not, without the prior written consent of the Mortgagee:
- (i) assign any of the Mortgagor's rights, powers, duties or obligations under the Condominium Act, or the by-laws created under the Condominium Act; or
 - (ii) give possession of the strata lot or lots hereby charged to any person on the basis of an agreement providing for the purchase of the strata lot or lots hereby charged by the occupier or on the basis of a lease, sub-lease or assignment of lease for a term of three years or more.
- (e) The Mortgagor hereby grants to the Mortgagee all the right and power to vote conferred on the Mortgagor by the Condominium Act, but it is agreed that neither this clause nor anything done by virtue thereof shall render the Mortgagee a mortgagee in possession. The Mortgagor hereby acknowledges receipt of written notice that the Mortgagee intends to exercise its power to vote on any matters relating to insurance, maintenance, finance or other matters affecting the security for the mortgage hereby granted, and the Mortgagor agrees that no additional notice need be given to the Mortgagor to permit the Mortgagee to exercise the right and power to vote conferred on the Mortgagor in respect of such matters. It is understood that the Mortgagor may, at any duly called meeting of the Strata Corporation of which the Mortgagee has received written notice, exercise the right to vote on the aforesaid matters if the Mortgagee is not, by its authorized representative, agent or proxy, present at such meeting.
- (f) The Mortgagor further agrees that the right and power to vote granted herein to the Mortgagee does not impose upon the Mortgagee any duty or obligation whatsoever to protect the interests of the Mortgagor, and the Mortgagee shall not be responsible for the consequences of any exercise of the right to vote or any failure to exercise the right to vote.
- (g) Pursuant to Section 28(3) of the Condominium Act, the Mortgagor hereby authorizes in writing any officer of the Mortgagee to apply at any time and from time to time during the term hereof to the Strata Corporation to have the by-laws for the time being in force governing the strata lots and interest in common property hereby mortgaged made available for inspection by such officer of the Mortgagee.
- (h) Pursuant to Section 36 of the Condominium Act, the Mortgagor hereby authorizes in writing any officer of the Mortgagee to apply at any time and from time to time to the Strata Corporation for certification to the Mortgagee of:
- (i) The amount of any contribution determined as the contribution of the Mortgagor under Section 35 of the Condominium Act;
 - (ii) the manner in which the contribution is payable;
 - (iii) The extent to which the contribution has been paid;
 - (iv) the amount of any money expended by the Strata Corporation on behalf of the Mortgagor under Section 34(2) of the Condominium Act and not recovered by it;
 - (v) the amount, if any, by which the expenses of the Strata Corporation for the current fiscal year are expected to exceed the expenses budgeted for the fiscal year;
 - (vi) the amount of the contingency reserve fund;
 - (vii) that there are no amendments to the by-laws not filed in the Land Title Office other than those certified;
 - (viii) that no notices have been given for a unanimous or special resolution that has not been voted on, other than those certified; and
 - (ix) that there are no pending proceedings against the Strata Corporation of which the Strata Corporation is aware other than those certified.

23. LEASEHOLD TITLE

If the said lands consist of a leasehold title, then the following provisions shall apply:

- (a) The Mortgagor covenants and agrees with the Mortgagee that the Mortgagor has a good leasehold title to the said lands, that the lease is a good, valid and effective lease, that the Mortgagor has the right to mortgage the said leasehold title to the Mortgagee, that the Mortgagor has done no act to encumber the said lands, that the Mortgagor will execute such further assurances of the said lands as may be required from time to time by the Mortgagee and that on default the Mortgagee shall have quiet possession of the said lands free from all encumbrances;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	8
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

- (b) The Mortgagor covenants and agrees with the Mortgagee that during the continuance of the mortgage, the Mortgagor shall pay the rent reserved by and perform and observe the covenants contained in the lease and on the tenant's part to be performed and observed and to keep indemnified the Mortgagee against all actions, claims and demands whatsoever in respect of the said rent and covenants or anything relating thereto;
- (c) In the event of any default being made in any payment of such rent or in the observance or performance of any covenant, the Mortgagee shall be at liberty to pay such rent or to observe or perform such covenant as the case may be and all money expended by the Mortgagee in so doing shall be payable forthwith by the Mortgagor to the Mortgagee and until paid shall be added to and become part of the principal hereby secured and shall be a charge on the said lands in favour of the Mortgagee with interest thereon at the mortgage rate;
- (d) The Mortgagor covenants and agrees that if the Mortgagor becomes the owner of the freehold of the said lands (the "freehold lands") the mortgage shall be deemed a mortgage of the freehold lands to the same extent and effect as if the Mortgagor had been the owner of the freehold lands, free from encumbrances, at the date of execution of the mortgage, and for the purpose of giving effect to the foregoing the Mortgagor does hereby grant and mortgage the freehold lands unto the Mortgagee, such grant to take effect upon the Mortgagor's acquiring the freehold lands. The Mortgagor covenants and agrees to execute and deliver at the Mortgagor's own expense, forthwith on demand therefor, such further and other documents as the Mortgagee may reasonably require for the purpose of validly giving effect to the foregoing.

24. RECEIVERSHIP

Notwithstanding anything herein contained, it is declared and agreed that any time and from time to time when there shall be default under the provisions of the mortgage the Mortgagee may at such time and from time to time and with or without entry into possession of the said lands or any part thereof, by instrument in writing appoint any person, whether an officer or officers or an employee of the Mortgagee or not, to be a Receiver (which term as used herein includes a Receiver-Manager and also includes the plural as well as the singular) of the said lands or any part thereof and of the rents and profits thereof and with or without security and may from time to time by similar writing remove any Receiver and appoint another in the Receiver's stead and that in making any such appointment or removal the Mortgagee shall be deemed to be acting as the agent or attorney of the Mortgagor but no such appointment shall be revocable by the Mortgagor. The remuneration and expenses of the Receiver shall be paid by the Mortgagor on demand and shall be a charge on the said lands and shall bear interest from the date of demand at the mortgage rate.

Upon the appointment of any such Receiver from time to time the following provisions shall apply:

- (a) Every such Receiver shall have unlimited access to the said lands as agent and attorney for the Mortgagor (which right of access shall not be revocable by the Mortgagor) and shall have full power and unlimited authority to:
 - (i) collect the rents and profits from the said lands whether under tenancies created before or after the mortgage;
 - (ii) rent any portion of the said lands which may become vacant on such terms and conditions as the Receiver considers advisable and enter into and execute leases, accept surrenders and terminate leases;
 - (iii) complete the construction of any building or buildings or other erections or improvements on the said lands left by the Mortgagor in an unfinished state or award the same to others to complete; and purchase, repair and maintain any personal property including, without limitation, appliances and equipment necessary or desirable to render the said lands operable or rentable and take possession of and use or permit others to use all or any part of the Mortgagor's materials, supplies, plans, tools, equipment (including appliances) and property of every kind and description; and
 - (iv) manage, operate, repair, alter or extend the said lands or any part thereof.
- (b) The Mortgagee may at its discretion vest the Receiver with any or all of the rights and powers of the Mortgagee;
- (c) The Mortgagee may fix the reasonable remuneration of the Receiver who shall be entitled to deduct the same out of the revenue of the sale proceeds of the said lands;
- (d) Every such Receiver shall be deemed the agent or attorney of the Mortgagor and, in any event, the Mortgagee and its agents shall not be responsible for the Receiver's acts or omissions;
- (e) The appointment of any such Receiver by the Mortgagee shall not result in or create any liability or obligation on the part of the Mortgagee to the Receiver or to the Mortgagor or to any other person and no appointment or removal of a Receiver and no actions of a Receiver shall constitute the Mortgagee a mortgagee in possession of the said lands;
- (f) No such Receiver shall be liable to the Mortgagor to account for money other than money actually received by the Receiver in respect of the said lands or any part thereof and out of such money so received every such Receiver shall pay in the following order:

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	9
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

- (i) the Receiver's remuneration aforesaid;
- (ii) all costs and expenses of every nature and kind incurred by the Receiver in connection with the exercise of the Receiver's powers and authority hereby conferred;
- (iii) interest, principal and other money which may, from time to time, be or become charged upon the said lands in priority to the mortgage, including taxes;
- (iv) all interest, principal and other money due to the Mortgagee hereunder to be paid in such order as the Mortgagee in its discretion shall determine;
- (v) thereafter, every such Receiver shall be accountable to the Mortgagor for any surplus;
- (g) Save as to claims for accounting under clause 24(f), the Mortgagor hereby releases and discharges any such Receiver from every claim of every nature which may arise or be caused to the Mortgagor or any person claiming through or under the Receiver by reason of or as a result of anything done by such Receiver unless such claim be the direct and proximate result of dishonesty or fraud;
- (h) The Mortgagee may, at any time and from time to time, terminate any such Receivership by notice in writing to the Mortgagor and to any such Receiver;
- (i) The statutory declaration of an officer of the Mortgagee as to default under the provisions of the mortgage and as to the due appointment of the Receiver pursuant to the terms hereof shall be sufficient proof thereof for the purposes of any person dealing with a Receiver who is ostensibly exercising powers herein provided for and such dealing shall be deemed, as regards such person, to be valid and effectual;
- (j) The rights and powers conferred herein in respect of the Receiver are supplemental to and not in substitution of any other rights and powers which the Mortgagee may have.

25. COVENANTOR

In consideration of the Mortgagee dealing with the Mortgagor and other good and valuable consideration, the Covenantor hereby covenants and agrees with the Mortgagee as follows:

- (a) The Covenantor will be liable to the Mortgagee under the Mortgagor's covenants as though the Covenantor was a Mortgagor hereunder and had executed this mortgage as such and without limiting the generality of the foregoing the Covenantor will well and truly pay or cause to be paid to the Mortgagee the principal, interest and all other money hereby secured on the same dates and times and in the manner as set forth in this mortgage and will in all matters pertaining to this mortgage well and truly do, observe, fulfill and keep all and singular the covenants, provisos, conditions, agreements and stipulations in this mortgage made binding upon the Mortgagor;
- (b) The Mortgagee shall not be bound to exhaust its recourses against the Mortgagor or other parties, or any security or securities or evidence of debt which the Mortgagee may hold before requiring payment by the Covenantor and the Mortgagee may enforce the various remedies available to it and may realize upon the various securities or any part or parts thereof in any order as it may determine;
- (c) The Covenantor shall continue liable to the Mortgagee as principal debtor notwithstanding any transaction which may take place between the Mortgagor and the Mortgagee or any neglect or default of the Mortgagee which otherwise might operate as a discharge, whether partially or absolutely, of the Covenantor if it were a surety and, in particular, but without limitation, notwithstanding the release in whole or in part of any security given by the Mortgagor or any other person or corporation to the Mortgagee by way of this mortgage or otherwise, or the granting of time or other indulgences to the Mortgagor, and notwithstanding any acquisition or disposition by the Covenantor of the fee simple or any lesser interest, legal or equitable, in the land, and the liability hereunder of the Covenantor shall not be diminished by reason of operation of any covenant contained in the Mortgage or any other security given for the indebtedness of the Mortgagor to the Mortgagee or by the release or extinguishment, by operation of law or otherwise of any security given for the indebtedness secured by this mortgage. The Mortgagee, in its absolute discretion or in the absolute discretion of its officers, agents or attorneys, without releasing or diminishing the liability of the Covenantor, may grant time or other indulgences to the Mortgagor and any other person or persons or corporation or corporations which now or hereafter is the owner of the land or any part thereof or is or are now or hereafter liable to the Mortgagee in respect of the principal, interest, costs, charges and expenses hereby secured and may give up, modify, vary, exchange, renew or abstain from perfecting or taking advantage of any security or securities in whole or in part now or hereafter held by the Mortgagee and may discharge any part or parts thereof and accept any composition or arrangements or realize upon a security when and in the manner as the Mortgagee, its officers, agents or attorneys think expedient and in no case shall the Mortgagee, its officers, agents or attorneys be responsible for any neglect or omission with respect to any security;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE FORM	British Columbia - CMHC Standard Charge Mortgage	10
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

- (d) The obligations and liabilities of the Covenantor hereunder will be independent of and not conditional or contingent upon any other obligation or liability of the Covenantor or of the Mortgagor or of any other person who is or may become liable in respect of payment of the money secured hereby or any prior notice, demand, action or proceeding against the Mortgagor or any such other person;
- (e) No change in the name, objects, share capital or constitution of the Mortgagor or any agreement made by it, whether to dispose of a part of all or substantially all of its assets (whether or not the same shall form part of the security herein) shall in any way affect the liability of the Covenantor;
- (f) The Covenantor expressly relieves the Mortgagee of being concerned with or enquiring into the powers of the Mortgagor or its directors, agents or attorneys acting or purporting to act on its behalf;
- (g) Any account settled or stated by or between the Mortgagee and the Mortgagor or admitted by or on behalf of the Mortgagor, may be adduced by the Mortgagee and shall in that case be accepted by the Covenantor as the conclusive evidence that the balance or amount thereof thereby appearing as due by the Mortgagor to the Mortgagee is correct;
- (h) The obligations of the Covenantor hereunder are in addition to and not in substitution for any other securities negotiable or otherwise which the Mortgagee may now or hereafter possess and the Mortgagee shall be under no obligation to marshal in favour of the Covenantor any securities or any funds in assets which the Mortgagee may be entitled to receive or have a claim upon;
- (i) Nothing herein shall operate to prevent the Mortgagee from assigning this mortgage or any or all of the obligations of the Mortgagor or the Covenantor hereunder and/or any security taken by it from the Mortgagor to any other person or corporation absolutely or by way of security, and no such assignment shall operate to release or discharge the Covenantor from its obligations hereunder;
- (j) All debts and liabilities present and future of the Mortgagor to the Covenantor are hereby postponed to the debt and liability of the Mortgagor to the Mortgagee for the money hereby secured and all money received by the Covenantor or its assigns thereof shall be received for the Mortgagee and shall be paid over to the Mortgagee forthwith upon receipt.

26. RENEWAL

In the event that the Mortgagee shall agree to renew or extend the term of the mortgage, such renewal or extension, including the rate of interest, term, instalment and other stipulations of such renewal or extension, shall be binding upon the Mortgagor, its successors in title and assigns, and all subsequent mortgages, encumbrances and other interests in or of the said lands subsequent to this mortgage ("Subsequent Encumbrances"), and shall take full priority over all Subsequent Encumbrances, whether or not the said renewal or extension is filed or recorded by notice at the applicable Land Title Office and whether or not the rate of interest payable or amortization period applicable during the renewal or extension term is greater than or less than the rate or amortization stipulated in the mortgage. The Mortgagor shall, forthwith on request by the Mortgagee, provide to the Mortgagee, at the Mortgagor's expense, all such postponements and other assurances as the Mortgagee may require to ensure the foregoing binding effect and priority.

27. QUIET ENJOYMENT

Provided that until default of payment, or such other default or breach described herein, the Mortgagor shall have quiet possession of the said lands.

28. COMPLIANCE WITH LAW

The Mortgagor covenants and agrees promptly to observe, perform, execute and comply with all laws, rules, requirements, orders, directions, ordinances and regulations of every governmental authority and agency concerning the said lands and will, at the Mortgagor's own expense, make any and all improvements thereon or alterations thereto, structural or otherwise which may be required at any time by any such present or future law, rule, requirement, order, direction, ordinance or regulation. The Mortgagee whenever it deems necessary, may by its surveyor or agent enter upon and inspect the said lands and make such improvements and alterations as the Mortgagee deems necessary to render the said lands in compliance with such laws, rules, requirements, orders, directions, ordinances or regulations and the reasonable cost of such inspections, improvements and alterations with interest at the mortgage rate shall be payable forthwith and be a charge upon the said lands.

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE FORM	Subject British Columbia - CMHC Standard Charge Mortgage	Page 11
		1992-11-02

CMHC 1011 4/90
British Columbia
Mortgage Terms

29. CONSOLIDATION

The doctrine of consolidation shall apply to this mortgage notwithstanding Section 27 of the Property Law Act, R.S.B.C. 1979, c.340, as amended.

30. INTERPRETATION

- (a) Wherever the singular number or the masculine gender is used in the mortgage the same shall be construed as including the plural and feminine and neuter respectively where the fact or context so requires; and in any case where the mortgage is executed by more than one party all covenants and agreements herein contained shall be construed and taken as against such executing parties as joint and several; and the heirs, executors, administrators, successors and assigns of any party executing the mortgage are jointly and severally bound by the covenants, agreements, stipulations and provisos herein contained.
- (b) Wherever the term "mortgage money" is used in the mortgage, the same shall be construed as meaning all money payable by the Mortgagor to the Mortgagee pursuant to the mortgage.
- (c) Wherever the term "the mortgage" or "this mortgage" is used in these Standard Mortgage Terms, the same shall be construed as meaning these Standard Mortgage Terms and the mortgage into which they are incorporated by reference.

31. ADDITIONAL COVENANTS

The covenants, agreements, stipulations and provisos herein stated shall be in addition to those granted or implied by statute.

32. CLAUSE TITLES

The clause titles herein are inserted for convenience of reference only and are deemed not to form part of the mortgage and are not to be considered in the construction or interpretation of the mortgage or any part thereof.

33. STATUTES

The mortgage is made in pursuance of the Land Title Act and the Land Transfer Form Act of British Columbia and in pursuance of the National Housing Act.

34. TRUE COPY

The Mortgagor acknowledges receipt of a true copy of the mortgage together with a copy of these Standard Mortgage Terms.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Manitoba - Real Property (Amendment) Act	1
		1995-12-20

INTRODUCTION

The Real Property Act and various other Acts came into effect in the Province of Manitoba on December 1, 1986. These Acts permit a set of standard charge terms to be filed and incorporated into a mortgage by reference to its serial number. Canada Mortgage and Housing Corporation (CMHC) filed a set of standard charge terms in English on June 8, 1988. The serial number was 1028245.

For all insured freehold, leasehold, and condominium mortgage loans secured by a mortgage and registered after November 1, 1989, the standard charge terms **may** be incorporated into the charge by reference to serial number 1028245 for the English version, and 1155267 for filing the standard terms in French.

Approved Lenders **may** use the revised Mortgage Document, Form CMHC 1008 (see illustration beginning on page 2). This Form contains a set of standard charge terms filed by CMHC. This form is to be used with all freehold, leasehold, and condominium mortgages registered in Manitoba.

The equivalent set of standard charge terms in French was filed by CMHC on May 15, 1989, and the serial number was 1155267.

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Manitoba - Real Property (Amendment) Act	Page 2 1992-11-02
---	---	--------------------------

CMHC 1008 9/88
Manitoba Mortgage

THE REAL PROPERTY ACT
SET OF STANDARD CHARGE TERMS

Filed by CANADA MORTGAGE AND HOUSING CORPORATION

Filing Date: June 8, 1988

Serial No. 1028245

The following set of Standard Charge Terms shall be deemed to be included in every mortgage in which the set is referred to by its serial number, as provided in Section 93 of The Real Property Act.

1 COVENANT TO PAY

- (a) The Mortgagor shall pay to the Mortgagee in lawful money of Canada the principal referred to in paragraph 6 of the mortgage of which these Standard Charge Terms form a part with interest thereon at the rate referred to in said paragraph 6 (the "mortgage rate") in the manner and upon the terms referred to in the mortgage and shall observe and perform all covenants, provisos, terms, conditions and agreements contained in the mortgage;
- (b) The Mortgagor covenants and agrees to pay to the Mortgagee interest as aforesaid in the manner aforesaid on the principal at the mortgage rate and all interest on becoming overdue shall be forthwith treated (as to payment of interest thereon) as principal and shall bear compound interest at the mortgage rate as well after as before maturity of the mortgage, to be computed with rests and paid on the interest adjustment date and semi-annually thereafter in each year and all such interest and compound interest shall be a charge on the Land referred to in paragraph 2 of the mortgage (the "said lands"). In the event of non-payment of any of the money hereby secured at the times set for payment in the mortgage, the Mortgagor agrees to pay interest at the mortgage rate from day to day on the same so long as any part thereof remains unpaid;
- (c) All money whether principal, interest or other money payable to the Mortgagee under the terms of the mortgage shall be payable in lawful money of Canada to the Mortgagee at its head office or such other place as may be designated by the Mortgagee

2 APPLICATION OF PAYMENTS

Provided that if the mortgage is repayable by blended instalments of principal and interest, the instalments payable under the mortgage are to be applied firstly on account of interest calculated as provided in the mortgage on the principal money from time to time outstanding and the balance of the said instalments shall be applied on account of principal; provided, however, in the case of default by the Mortgagor, the Mortgagee may apply any payments received during any period of such default in whatever order it may elect as between principal, interest, taxes, repairs, insurance premiums or other advances made on behalf of the Mortgagor

3 PREPAYMENT PRIVILEGE

- (a) Provided that the Mortgagor when not in default hereunder shall have the privilege of paying an additional amount on account of principal, not in excess of 10% of the original amount of this mortgage, on the first anniversary of the interest adjustment date and a similar amount on account of principal on the second anniversary of the said date, upon payment, by way of bonus, of three months interest on the amount of any such additional payment, it being agreed that such privilege shall not be cumulative;
- (b) Provided that on the third anniversary of the interest adjustment date and on any monthly instalment date thereafter, the Mortgagor, when not in default hereunder, shall have the privilege of paying the whole amount owing hereunder, or any part thereof, upon payment, by way of bonus, of three months interest on the amount of any such additional payment;
- (c) Provided, however, that if the mortgage covers a rental housing project, as defined in the National Housing Act, the foregoing additional payment privileges shall not apply, but the Mortgagor, when not in default hereunder, shall have the privilege of paying, on the fifth anniversary of the interest adjustment date, or on any monthly instalment date thereafter, the whole amount owing hereunder, upon payment, by way of bonus, of three months interest on the principal amount then outstanding;
- (d) Provided that when any partial additional payments are made the amount thereof shall be equal to the sum of the principal portions of a number of consecutive monthly instalments which would otherwise become due hereunder next following the date upon which such additional payment is made, and the payment dates of all remaining instalments and of the balance owing hereunder shall be accelerated so that the Mortgagor shall pay the aforesaid monthly instalment in each and every month, commencing with the month immediately following the month in which the additional payment is made and continuing until all money owing hereunder shall have been fully repaid

4 TAXES

Subject as hereinafter in this clause provided, the Mortgagor agrees to pay when and as the same fall due all taxes, rates, liens charges, encumbrances or claims which are or may be or become charges or claims against the mortgaged premises or on the mortgage or on the Mortgagee in respect of the mortgage, provided that in respect of municipal taxes, school taxes and local improvement rates (hereinafter referred to as "taxes") chargeable against the mortgaged premises.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Manitoba - Real Property (Amendment) Act	3
		1992-11-02

- 2 -

CMHC 1008 9:88
Manitoba Mortgage

- (a) The Mortgagee may deduct from the final advance of the money secured by the mortgage an amount sufficient to pay the taxes which have become or will become due and payable on or before the day preceding the said interest adjustment date and are unpaid at the date of such final advance;
- (b) After the interest adjustment date the Mortgagor shall pay to the Mortgagee in monthly instalments on the dates on which instalments of principal and interest are payable pursuant to the mortgage, sums sufficient to enable the Mortgagee to pay the whole amount of taxes on or before the due date for payment thereof or, if such amount is payable in instalments, on or before the due date for payment of the first instalment thereof;
- (c) Where the period between the interest adjustment date and the next following annual due date or first instalment date is less than one year, the Mortgagor shall pay to the Mortgagee in equal monthly instalments, during such period and during the next succeeding 12-month period, an amount estimated by the Mortgagee to be sufficient to pay, on or before the expiration of the said 12-month period, all taxes which shall become due and payable during the said two periods and during the balance of the year in which the said 12-month period expires; and the Mortgagor agrees to pay to the Mortgagee on demand the amount, if any, by which the actual taxes exceed such estimated amount;
- (d) Except as provided in clause 4 (c) the Mortgagor shall, in each and every month, pay to the Mortgagee one-twelfth of the amount (as estimated by the Mortgagee) of the taxes next becoming due and payable; and the Mortgagor shall pay to the Mortgagee on demand the amount, if any, by which the actual taxes exceed such estimated amount;
- (e) The Mortgagee shall allow the Mortgagor credit for interest at not less than the prevailing rate allowed by the chartered banks on personal savings deposits with chequing privileges, on the minimum balances standing in the mortgage account from time to time to the Mortgagor's credit for payment of taxes, such interest to be credited to the mortgage account not less frequently than once each year; and the Mortgagor shall be charged interest, at the mortgage rate, on the debit balance, if any, of taxes in the mortgage account outstanding after payment of taxes by the Mortgagee, until such debit balance is fully repaid;
- (f) The Mortgagee agrees to apply such deduction and payments on the taxes chargeable against the mortgaged premises so long as the Mortgagor is not in default under any covenant, proviso or agreement contained in the mortgage, but nothing herein contained in the mortgage shall obligate the Mortgagee to apply such payments on account of taxes more often than yearly. Provided, however, that if, before any sum or sums so paid to the Mortgagee shall have been so applied, there shall be default by the Mortgagor in respect of any payment of principal or interest as herein provided, the Mortgagee may apply such sum or sums in or towards payment of the principal and or interest in default. The Mortgagor further covenants and agrees to transmit to the Mortgagee the assessment notices, tax bills and other notices affecting the imposition of taxes forthwith after the receipt of same by the Mortgagor;
- (g) Notwithstanding the provisions of clause 1 and clauses 4 (a) to 4 (f) inclusive, the Mortgagee may, with the approval of Canada Mortgage and Housing Corporation, request the Mortgagor to pay the taxes when and as such taxes become due and to submit to the Mortgagee tax receipts evidencing the payment of the said taxes within 30 days after they become due, and in such case, the aforesaid monthly instalment, where applicable, will be adjusted accordingly.

5 INSURANCE

The Mortgagor shall forthwith insure and during the continuance of the mortgage keep insured in favour of the Mortgagee, against loss or damage by fire and, as the Mortgagee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, floods and other risks or hazards, each and every building on the said lands and which may hereafter be erected thereon, both during erection and thereafter, for the full replacement value thereof in lawful money of Canada in a company approved by the Mortgagee; and the Mortgagor shall forthwith assign, transfer and deliver over unto the Mortgagee the policy of insurance and receipts thereof appertaining; and if the Mortgagor shall neglect to keep the said buildings or any of them insured as aforesaid, or to deliver such policies and receipts or to produce to the Mortgagee at least five days before the termination of any insurance, evidence of renewal thereof, the Mortgagee shall be entitled, but shall not be obliged, to insure the said buildings or any of them; and the Mortgagor shall forthwith on the happening of any loss or damage, furnish at its expense all necessary proofs and do all necessary acts to enable the Mortgagee to obtain payment of the insurance money; and any insurance money received may, at the option of the Mortgagee, be applied in rebuilding, reinstating or repairing the mortgaged premises or be paid to the Mortgagor or to any other person appearing by the registered title to be or to have been the owner of the said mortgaged premises or be applied or paid partly in one way and partly in another, or it may be applied, in the sole discretion of the Mortgagee, in whole or in part on the mortgage debt or any part thereof whether due or not then due.

6 CONSTRUCTION

The Mortgagor agrees to construct a building or buildings and other improvements on the said lands in accordance with plans and specifications which have been or are hereafter approved by Canada Mortgage and Housing Corporation and by the Mortgagee and will carry on diligently to completion the construction of the said building, buildings and other improvements

7 ENTRY AFTER DEFAULT

The Mortgagor covenants and agrees with the Mortgagee that in the event of default in the payment of any instalment or any other money payable hereunder or on breach of any covenant, proviso or agreement herein contained, after all or any part of the money hereby secured has been advanced, the Mortgagee may at such time or times as the Mortgagee may deem necessary and without the concurrence of any person, enter upon the mortgaged premises and may make such arrangements for completing the construction of, repairing or putting in order the mortgaged premises, or for inspecting, taking care of, leasing, collecting the rents of and managing generally the mortgaged premises as the Mortgagee may deem expedient; and all reasonable costs, charges and expenses, including allowances for the time and service of any employee of the Mortgagee or other person appointed for the above purposes, shall be forthwith payable to the Mortgagee and shall be a charge upon the mortgaged premises and shall bear interest at the mortgage rate until paid.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Manitoba - Real Property (Amendment) Act	4
		1992-11-02

- 3 -

CMHC 1008 9:88
Manitoba Mortgage

8. REMEDIES

- (a) The Mortgagor covenants and agrees with the Mortgagee that in the event of default being made in the payment of the money hereby secured or any part thereof or in case of the breach or non-performance of any of the covenants, agreements, provisos or stipulations expressed or implied herein: The Mortgagee may, at the expense of the Mortgagor and when and to such extent as the Mortgagee deems advisable, observe and perform or cause to be observed and performed such covenant, agreement, proviso or stipulation; the Mortgagee may send or employ an inspector or agent to inspect and report upon the value, state and condition of the mortgaged premises and a solicitor to examine and report upon the title to the mortgaged premises; the Mortgagee or agent of the Mortgagee may enter into possession of the mortgaged premises and whether in or out of possession collect the rent and profit thereof, and make any demise or lease of the mortgaged premises or any part thereof, for such term and period and at such rent as the Mortgagee shall think proper; and the power of sale hereunder may be exercised either before or after and subject to any such demise or lease; it shall and may be lawful for and the Mortgagor does hereby grant full power, right and licence to the Mortgagee to enter, seize and distrain upon the mortgaged premises, or any part thereof, and by distress warrant to recover by way of rent reserved as in the case of demise of the mortgaged premises, as much of the mortgage money as shall from time to time be or remain in arrears and unpaid, together with all costs, charges and expenses attending such levy or distress, as in like cases of distress for rent; the Mortgagee may sell and dispose of the mortgaged premises with or without entering into possession of the same and with or without notice to the Mortgagor or any party interested in the mortgaged premises; and all remedies competent may be resorted to and all the rights, powers and privileges granted to or conferred upon the Mortgagee under and by virtue of any statute or by the mortgage may be exercised, and any notice may be effectually given by leaving the same with an adult person on the mortgaged premises if occupied, or by placing the same thereon, or on any part thereof if unoccupied, or at the option of the Mortgagee by publishing the same in a newspaper published in the Province of Manitoba; and such notice shall be sufficient though not otherwise addressed than "To whom it may concern"; and no want of notice or publication or any other defect, impropriety or irregularity shall invalidate any sale made or purporting to be made of the mortgaged premises hereunder; and the Mortgagee may sell, transfer and convey any part of the mortgaged premises on such terms of credit or part cash and part credit, secured by contract or agreement for sale or mortgage, or otherwise, as shall appear to the Mortgagee most advantageous and for such price as can reasonably be obtained therefor; and in the event of a sale on credit or for part cash and part credit, whether by way of contract for sale or by conveyance or transfer and mortgage, the Mortgagee is not to be accountable for or charged with any money until the same shall be actually received in cash; and sales may be made from time to time of parts of the mortgaged premises to satisfy interest or parts of the principal overdue, leaving the principal or parts thereof to run with interest payable at the mortgage rate; and the Mortgagee may make any stipulations as to title or evidence or commencement of title or otherwise as the Mortgagee shall deem proper, and may buy in or rescind or vary any contract for sale; and on any sale or resale, the Mortgagee shall not be answerable for loss occasioned thereby; and for any of such purposes the Mortgagee may make and execute all agreements and assurances that the Mortgagee shall deem advisable or necessary; the whole of the mortgage money shall, at the option of the Mortgagee, become due and payable.
- (b) The Mortgagor further covenants and agrees with the Mortgagee that the taking of a judgment on any of the covenants or agreements herein contained shall not operate as a merger thereof; the Mortgagee may at all times release any part or parts of the mortgaged premises or any other security or any surety for payment of all or any part of the money hereby secured or may release the Mortgagor or any other person from any covenant or other liability to pay the said money or any part thereof, either with or without any consideration therefor, and without being accountable for the value thereof or for any money except that actually received by the Mortgagee, and without thereby releasing any other part of the mortgaged premises; or any other securities or covenants herein contained; it being especially agreed that notwithstanding any such release the portion of the mortgaged premises, securities and covenants remaining unreleased shall stand charged with the whole of the money hereby secured; no extension of time given by the Mortgagee to the Mortgagor, or anyone claiming under the Mortgagor, shall in any way affect or prejudice the rights of the Mortgagee against the Mortgagor or any other person liable for payment of the money hereby secured.

9. BUILDINGS

It is the intention of the parties hereto that the building or buildings now erected, being erected or to be erected on the said lands form part of the security for the full amount of the money secured by the mortgage and that advances on the mortgage are to be made from time to time in the future in accordance with the progress of construction of such building or buildings and upon their completion and occupation or sale; and the Mortgagor agrees that neither the execution nor registration of the mortgage nor the advance of part of the said money shall bind the Mortgagee to advance the said money or any unadvanced part thereof, and that the advance of the said money or any part thereof from time to time shall be in the sole discretion of the Mortgagee.

10. FIXTURES

All erections and improvements fixed or otherwise now on or hereafter put upon the said lands or put upon any buildings located upon the said lands, including, without limiting the generality of the foregoing, all fences, heating, plumbing, air-conditioning, ventilating, lighting and water heating equipment, cooking and refrigeration equipment, washing and drying equipment, window blinds, storm windows and storm doors, window screens and screen doors, and all apparatus and equipment appurtenant thereto are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the realty and of the security and are included in the term "mortgaged premises"; and the Mortgagor shall not commit or permit any act of waste thereon; and the Mortgagor shall, at all times during the continuance of the mortgage, repair, maintain, restore, amend, keep, make good, finish, add to and put in order the mortgaged premises; and in the event of any loss or damage thereto or destruction thereof the Mortgagee may give notice to the Mortgagor to repair, rebuild, or reinstate the mortgaged premises within a time to be determined by the Mortgagee and to be stated in such notice; and upon the failure of the Mortgagor so to repair, rebuild, or reinstate within such time, such failure shall constitute a breach of covenant hereunder and thereupon the mortgage money shall, at the option of the Mortgagee, become immediately due and payable, without any demand by the Mortgagee upon the Mortgagor.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Manitoba - Real Property (Amendment) Act	5
		1992-11-02

- 4 -

CMHC 1008 9/88
Manitoba Mortgage

11. PRIOR ENCUMBRANCES

- (a) It is further stipulated, provided and agreed that the Mortgagee may pay the amount of any encumbrance, lien or charge now or hereafter existing or to arise or to be claimed upon the mortgaged premises having priority over the mortgage, including any taxes or other rates on the mortgaged premises or any portion of the mortgaged premises, or any amounts payable to a condominium corporation, and may pay all costs, charges and expenses and all solicitors' charges or commissions as between a solicitor and client, which may be incurred in taking, recovering and keeping possession of the mortgaged premises and generally in any proceedings or steps of any nature whatever properly taken in connection with or to realize upon the mortgage, or in respect of the collection of any overdue interest, principal, insurance premiums, condominium fees or any other money whatsoever payable by the Mortgagor hereunder whether any action or any judicial proceedings to enforce such payments has or have been taken or not and the amount of insurance premiums for fire or other risks or hazards so paid and any other money paid hereunder by the Mortgagee shall be added to the debt hereby secured and be a charge on the mortgaged premises and shall bear interest at the mortgage rate and shall be payable forthwith by the Mortgagor to the Mortgagee and the non-payment of such amount shall be a default under the mortgage and shall entitle the Mortgagee to exercise the power of sale and all other remedies hereby given. In the event of the Mortgagee paying the amount of any such encumbrance, lien or charge, taxes or rates, either out of the money advanced under the mortgage or otherwise it shall be entitled to all the rights, equities and securities of the person or persons, company, corporation or government so paid, and is hereby authorized to retain any discharge thereof, without registration, for such period of time as the Mortgagee deems appropriate.
- (b) In the event of the mortgage money advanced hereunder, or any part thereof, being applied to the payment of any charge or encumbrance, the Mortgagee shall be subrogated to all the rights of and stand in the position of and be entitled to all the equities of the party so paid, whether such charge or encumbrance has or has not been discharged; and the decision of the Mortgagee as to the validity or amount of any advance or disbursement made under the mortgage or of any claim so paid shall be final and binding on the Mortgagor; the Mortgagee shall not be charged with any money receivable or collectible out of the mortgaged premises or otherwise, except those actually received; and all revenue of the mortgaged premises received or collected by the Mortgagee from any source other than payment by the Mortgagor may, at the option of the Mortgagee, be used in maintaining or insuring or improving the mortgaged premises, or in payment of taxes or other charges against the mortgaged premises, or applied on the mortgage account.

12. MORTGAGE EXPENSES

All solicitor's, inspector's, valuator's and surveyor's fees and expenses for drawing and registering the mortgage and for examining the mortgaged premises and the title thereto, and for making or maintaining the mortgage a first charge on the mortgaged premises, together with all sums which the Mortgagee may and does from time to time advance, expend or incur hereunder as principal, insurance premiums, taxes or rates, or in or toward payment of prior liens, charges, encumbrances or claims charged or to be charged against the mortgaged premises or on the mortgage or on the Mortgagee in respect of the mortgage, and in maintaining, repairing, restoring or completing the mortgaged premises, and in inspecting, leasing, managing, or improving the mortgaged premises, including the price or value of any goods of any sort or description supplied to be used on the mortgaged premises, and in exercising or enforcing or attempting to enforce or in pursuance of any right, power, remedy or purpose hereunder or subsisting, and legal costs, as between a solicitor and client, and an allowance for the time, work and expense of the Mortgagee, or of any agent, solicitor or employee of the Mortgagee, for any purpose herein provided for and whether such sums are advanced or incurred with the knowledge, consent, concurrence or acquiescence of the Mortgagor or otherwise, are to be secured hereby and shall be a charge on the mortgaged premises, together with interest thereon at the mortgage rate, and all such money shall be repayable to the Mortgagee on demand, or if not demanded then with the next ensuing instalment, except as otherwise herein provided, and all such sums together with interest thereon are included in the term "mortgage money".

13. ALTERATIONS

The Mortgagor shall not make, or permit to be made, any alterations or additions to the mortgaged premises without the consent of the Mortgagee; and the Mortgagor shall not use the mortgaged premises or permit them to be used for the purpose of any hotel, business, trade or manufacture of any description; the Mortgagee or agent of the Mortgagee or agent of Canada Mortgage and Housing Corporation may, at any time, enter upon the mortgaged premises to inspect the mortgaged premises

14. EXERCISE OF POWERS

Any discretion, option, decision or opinion hereunder on the part of the Mortgagee shall be sufficiently exercised or formed if exercised or formed by or subsequently ratified by the manager, acting manager or assistant manager of any branch office of the Mortgagee in the Province of Manitoba or an executive officer of the Mortgagee or any officer or agent appointed by the Mortgagee for such purpose.

15. WASTE

The Mortgagor covenants and agrees with the Mortgagee that the Mortgagor will not permit waste to be committed or suffered on the mortgaged premises and that the Mortgagor will maintain the mortgaged premises in good order and repair to the satisfaction of the Mortgagee

16. OBLIGATIONS SURVIVE SALE

No sale or other dealing by the Mortgagee with the mortgaged premises or any part thereof shall in any way change the liability of the Mortgagor or in any way alter the rights of the Mortgagee as against the Mortgagor or any other person liable for payment of the mortgage money

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Manitoba - Real Property (Amendment) Act	6
		1992-11-02

- 5 -

CMHC 1008 9/88
Manitoba Mortgage

17. DUE ON SALE

In the event of:

- (a) The Mortgagor selling, conveying, transferring or entering into any agreement of sale or transfer of title to the said lands to a purchaser, grantee or transferee not approved in writing by the Mortgagee, or
- (b) If such a purchaser, grantee or transferee should fail to:
 - (i) apply for and receive the Mortgagee's written approval as aforesaid,
 - (ii) personally assume all obligations of the Mortgagor under the mortgage, and
 - (iii) execute an assumption agreement in the form required by the Mortgagee,

then, at the option of the Mortgagee the mortgage money shall forthwith become due and payable.

18. EXTENSION

Provided that no extension of time given by the Mortgagee to the Mortgagor or anyone claiming under the Mortgagor or any other dealing with the owner of the mortgaged premises shall in any way affect or prejudice the right of the Mortgagee against the Mortgagor or any other person liable for the payment of the mortgage money.

19. GOOD TITLE

The Mortgagor further covenants and agrees with the Mortgagee that the Mortgagor has a good title to the mortgaged premises, that the Mortgagor has the right to mortgage the mortgaged premises, that the Mortgagor has done no act to encumber the mortgaged premises, that the Mortgagor will execute such further assurances of the mortgaged premises as may be required from time to time by the Mortgagee, and that on default the Mortgagee shall have quiet possession of the mortgaged premises, free from all encumbrances.

20. DISCHARGE

The Mortgagee shall have a reasonable time after payment of the mortgage money in full within which to prepare and execute a discharge of the mortgage; and interest at the mortgage rate shall continue to run and accrue until actual payment in full has been received by the Mortgagee; and all legal and other expenses for the preparation and execution of such discharge shall be borne by the Mortgagor.

21. SEVERABILITY

The Mortgagor and Mortgagee agree that in the event that at any time any provision of the mortgage is illegal or invalid under or inconsistent with the provisions of any applicable statute or regulation thereunder or would by reason of the provisions of any such statute or regulation render the Mortgagee unable to collect the amount of any loss sustained by it as a result of making the above recited loan which it would otherwise be able to collect under such statute, then such provision shall not apply and shall be construed so as not to apply to the extent that it is so illegal, invalid or inconsistent or would so render the Mortgagee unable to collect the amount of any such loss. In the event that any provision of the mortgage shall be deemed illegal or invalid, then the particular provision or provisions or part of the provision shall be deemed severed from the remainder of the mortgage and all other provisions of the mortgage shall remain in full force and effect.

22. CONDOMINIUM

If the mortgaged premises consist of a condominium unit, then the following provisions shall apply:

- (a) The Mortgagor covenants with the Mortgagee that the Mortgagor or the Condominium Corporation or both the Mortgagor and the Condominium Corporation will forthwith insure and during the continuance of the mortgage keep insured in favour of the Mortgagee against loss or damage by fire and, as the Mortgagee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, floods and other risks or hazards, each and every building or buildings situated on the lands described in the certificate of title standing in the name of the Condominium Corporation and which may hereafter be erected thereon, both during erection and thereafter, for the full replacement value thereof in lawful money of Canada in a company approved by the Mortgagee; and the Mortgagor or the Condominium Corporation or both the Mortgagor and the Condominium Corporation will forthwith assign, transfer and deliver unto the Mortgagee the policy or policies of insurance and receipts thereof appertaining; and if the Mortgagor or the Condominium Corporation or both the Mortgagor and the Condominium Corporation shall neglect to keep the said building or buildings or any of them insured as aforesaid, or to deliver such policy or policies, and receipts or to produce to the Mortgagee at least fifteen days before the termination of any insurance, evidence of renewal thereof, the Mortgagee shall be entitled but shall not be obligated to insure the said building or buildings or any of them; and the Mortgagor or the Condominium Corporation or both the Mortgagor and the Condominium Corporation shall forthwith on the happening of any loss or damage comply fully with the terms of the policy or policies of insurance and, without limiting the generality of clause 22(c) herein, shall comply with the insurance provisions of the Declaration; and the Mortgagor, as a member of the Condominium Corporation shall seek the full compliance by the Condominium Corporation of the aforementioned covenants, and the Mortgagor does hereby release to the Mortgagee all the Mortgagor's claims upon the mortgaged premises, subject to the terms of the said insurance policy or policies, Declaration and provisos. The term "Declaration" means the Declaration registered under The Condominium Act of Manitoba relating to the Condominium Corporation of which the Mortgagor is a member by virtue of the Mortgagor's ownership of the unit being charged by the mortgage. The term "Condominium Corporation" means the condominium corporation of which the Mortgagor is a member by virtue of the Mortgagor's ownership of the said lands;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Manitoba - Real Property (Amendment) Act	7
		1992-11-02

- 6 -

CMHC 1008 9/88
Manitoba Mortgage

- (b) The Mortgagor covenants and agrees with the Mortgagee that in the event of default in the payment of any mortgage money payable hereunder by the Mortgagor, or on breach of any covenant, proviso or agreement herein contained, after all or any part of the money hereby secured has been advanced, the Mortgagee may at such time or times as the Mortgagee may deem necessary and without the concurrence of any person, enter upon the mortgaged premises and may make such arrangements for completing the construction of, repairing or putting in order the mortgaged premises, or for inspecting, taking care of, leasing, collecting the rents of and managing generally the mortgaged premises as the Mortgagee may deem expedient; and all reasonable costs, charges and expenses, including allowances for the time and service of any employee of the Mortgagee or other person appointed for the above purposes, shall be forthwith payable to the Mortgagee and shall be a charge upon the mortgaged premises and shall bear interest at the mortgage rate until paid. The Mortgagor further covenants and agrees that notwithstanding anything herein contained all rights of the Mortgagee as set out in this clause shall apply to all payments due by the Mortgagor arising under or pursuant to clauses 22(c), (d) and (e) hereof, which said payments are to have the same effect as if such payments were in priority over the mortgage;
- (c) The Mortgagor covenants and agrees with the Mortgagee that the Mortgagor will observe and perform each and every one of the covenants and provisions required to be observed and performed under and pursuant to the terms of the mortgage, The Condominium Act and the amendments thereof, the Declaration and the bylaws of the Condominium Corporation and respective amendments thereof;
- (d) Without limiting the generality of clause 22(c), the Mortgagor covenants to pay promptly when due any contributions levied by the Condominium Corporation;
- (e) Provided that where the Mortgagor defaults in the Mortgagor's obligation to contribute toward the common expenses as assessed by the Condominium Corporation regardless of whether or not the Condominium Corporation registers a Notice of Lien, the Mortgagee, at its option and without notice to the Mortgagor may deem such default to be default under the terms of the mortgage and proceed to exercise the Mortgagee's rights herein;
- (f) The Mortgagor hereby assigns to the Mortgagee all the Mortgagor's rights to vote at all meetings and the exercise of all powers of the Condominium Corporation;
- (g) The Mortgagor and Mortgagee hereby acknowledge that nothing herein contained including the exercise by the Mortgagee of the said right to vote shall render the Mortgagee a mortgagee in possession;
- (h) The Mortgagor and Mortgagee further acknowledge that the right to vote assigned herein to the Mortgagee does not entail any representation, express or implied, that the Mortgagee shall be in any way responsible to protect the Mortgagor's interest and the Mortgagee shall not be responsible for any exercise of the right to vote or any failure to exercise the right to vote;
- (i) The mortgage is made in pursuance of The Condominium Act of Manitoba.

23 LEASEHOLD TITLE

If the said lands consist of a leasehold title, then the following provisions shall apply:

- (a) the Mortgagor covenants and agrees with the Mortgagee that the Mortgagor has a good leasehold title to the said lands, that the lease is a good, valid and effective lease, that the Mortgagor has the right to mortgage the said leasehold title to the Mortgagee, that the Mortgagor has done no act to encumber the mortgaged premises, that the Mortgagor will execute such further assurances of the mortgaged premises as may be required from time to time by the Mortgagee and that on default the Mortgagee shall have quiet possession of the mortgaged premises free from all encumbrances;
- (b) during the continuance of the mortgage, the Mortgagor shall pay the rent reserved by and perform and observe the covenants contained in the lease and on the lessee's part to be performed and observed and to keep indemnified the Mortgagee against all actions, claims and demands whatsoever in respect of the said rent and covenants or anything relating thereto;
- (c) the Mortgagor hereby covenants with the Mortgagee during the continuance of the mortgage to pay the rent reserved by and perform and observe the covenants contained in the lease and on the lessee's part to be performed and observed and to keep indemnified the Mortgagee against all actions, claims and demands whatsoever in respect of the said rent and covenants or anything relating thereto. In the event of any default being made in any payment of such rent or in the observance or performance of any covenant, the Mortgagee shall be at liberty to pay such rent or to observe or perform such covenant as the case may be and all money expended by the Mortgagee in so doing shall be payable forthwith by the Mortgagor to the Mortgagee and until paid shall be added to and become part of the principal hereby secured and shall be a charge on the mortgaged premises in favour of the Mortgagee with interest thereon at the mortgage rate;
- (d) the Mortgagor covenants and agrees that if the Mortgagor becomes the owner of the freehold of the said lands (the "freehold lands") the mortgage shall be deemed a mortgage of the freehold lands to the same extent and effect as if the Mortgagor had been the owner of the freehold lands, free from encumbrances, at the date of execution hereof, and for the purpose of giving effect to the foregoing the Mortgagor does hereby grant and mortgage the freehold lands unto the Mortgagee, such grant to take effect upon the Mortgagor's acquiring the freehold lands. The Mortgagor covenants and agrees to execute and deliver at the Mortgagor's own expense, forthwith on demand therefor, such further and other documents as the Mortgagee may reasonably require for the purpose of validly giving effect to the foregoing

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Manitoba - Real Property (Amendment) Act	Page 8 1992-11-02
---	---	-----------------------------

- 7 -

CMHC 1008 9/83
Manitoba Mortgage

24. RECEIVERSHIP

Notwithstanding anything herein contained, it is declared and agreed that any time and from time to time when there shall be default under the provisions of the mortgage the Mortgagee may at such time and from time to time and with or without entry into possession of the mortgaged premises or any part thereof, by instrument in writing appoint any person, whether an officer or officers or an employee of the Mortgagee or not, to be a Receiver (which term as used herein includes a Receiver-Manager and also includes the plural as well as the singular) of the mortgaged premises or any part thereof and of the rents and profits thereof and with or without security and may from time to time by similar writing remove any Receiver and appoint another in the Receiver's stead and that in making any such appointment or removal the Mortgagee shall be deemed to be acting as the agent or attorney of the Mortgagor but no such appointment shall be revocable by the Mortgagor. The Mortgagor undertakes to ratify and confirm whatever such Receiver may do concerning the mortgaged premises. The remuneration and expenses of the Receiver shall be paid by the Mortgagor on demand and shall be a charge on the mortgaged premises and shall bear interest from the date of demand at the mortgage rate

Upon the appointment of any such Receiver from time to time the following provisions shall apply:

- (a) Every such Receiver shall have unlimited access to the mortgaged premises as agent and attorney for the Mortgagor (which right of access shall not be revocable by the Mortgagor) and shall have full power and unlimited authority to:
 - (i) collect the rents and profits from tenancies whether created before or after the mortgage;
 - (ii) rent any portion of the mortgaged premises which may become vacant on such terms and conditions as the Receiver considers advisable and enter into and execute leases, accept surrenders and terminate leases;
 - (iii) complete the construction of any building or buildings or other erections or improvements on the mortgaged premises left by the Mortgagor in an unfinished state or award the same to others to complete; and purchase, repair and maintain any personal property including, without limitation, appliances and equipment necessary or desirable to render the mortgaged premises operable or rentable and take possession of and use or permit others to use all or any part of the Mortgagor's materials, supplies, plans, tools, equipment (including appliances) and property of every kind and description; and
 - (iv) manage, operate, repair, alter or extend the mortgaged premises or any part thereof.
- (b) The Mortgagee may at its discretion vest the Receiver with any or all of the rights and powers of the Mortgagee;
- (c) The Mortgagee may fix the reasonable remuneration of the Receiver who shall be entitled to deduct the same out of the revenue of the sale proceeds of the mortgaged premises;
- (d) Every such Receiver shall be deemed the agent or attorney of the Mortgagor and, in any event, the Mortgagee and its agents shall not be responsible for the Receiver's acts or omissions;
- (e) The appointment of any such Receiver by the Mortgagee shall not result in or create any liability or obligation on the part of the Mortgagee to the Receiver or to the Mortgagor or to any other person and no appointment or removal of a Receiver and no actions of a Receiver shall constitute the Mortgagee a mortgagee in possession of the mortgaged premises;
- (f) No such Receiver shall be liable to the Mortgagor to account for money other than money actually received by the Receiver in respect of the mortgaged premises or any part thereof and out of such money so received every such Receiver shall pay in the following order:
 - (i) the Receiver's remuneration aforesaid;
 - (ii) all costs and expenses of every nature and kind incurred by the Receiver in connection with the exercise of the Receiver's powers and authority hereby conferred;
 - (iii) interest, principal and other money which may, from time to time, be or become charged upon the mortgaged premises in priority to the mortgage, including taxes;
 - (iv) all interest, principal and other money due to the Mortgagee hereunder to be paid in such order as the Mortgagee in its discretion shall determine;
 - (v) thereafter, every such Receiver shall be accountable to the Mortgagor for any surplus.
- (g) Save as to claims for accounting under clause 24(f), the Mortgagor hereby releases and discharges any such Receiver from every claim of every nature which may arise or be caused to the Mortgagor or any person claiming through or under the Receiver by reason or as a result of anything done by such Receiver unless such claim be the direct and proximate result of dishonesty or fraud;
- (h) The Mortgagee may, at any time and from time to time, terminate any such Receivership by notice in writing to the Mortgagor and to any such Receiver;
- (i) The statutory declaration of an officer of the Mortgagee as to default under the provisions of the mortgage and as to the due appointment of the Receiver pursuant to the terms hereof shall be sufficient proof thereof for the purposes of any person dealing with a Receiver who is ostensibly exercising powers herein provided for and such dealing shall be deemed, as regards such person, to be valid and effectual;
- (j) The rights and powers conferred herein in respect of the Receiver are supplemental to and not in substitution of any other rights and powers which the Mortgagee may have.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Manitoba - Real Property (Amendment) Act	9
		1992-11-02

- 8 -

CMHC 1008 9 88
Manitoba Mortgage

25 COVENANTOR

If the mortgage has been executed by a covenantor, then the following provision shall apply

In consideration of the advance of money by the Mortgagee to the Mortgagor pursuant to the mortgage, so long as any money is outstanding under the mortgage and during any renewal, extension, assignment or assumption thereof and notwithstanding any sale, conveyance, transfer or other similar or dissimilar disposition of the mortgaged premises, whether with the consent of the mortgagee or otherwise the Covenantor, for himself, his heirs, executors, administrators, successors and assigns, hereby covenants and agrees with the Mortgagee that the Mortgagor will duly perform and carry out the covenants and stipulations contained in the mortgage and will duly pay the mortgage money hereby secured on the days and times herein mentioned and, if any money payable pursuant to the mortgage shall be in default, the Covenantor further covenants and agrees to pay the same to the Mortgagee forthwith. The Covenantor agrees that the Covenantor's liability under this guarantee and covenant shall not be in any way prejudiced, affected, impaired, modified, released or discharged by reason of any settlement, workout, variation, proposal, extension of time or other similar or dissimilar indulgence whatsoever granted to the Mortgagor or the Mortgagor's heirs, executors, administrators, successors or assigns or to any other person or persons liable to pay the mortgage money or by the Mortgagee taking any further security for the payment of the mortgage money due or to become due to the Mortgagee or releasing such other security. In the event that there is more than one Covenantor, all covenants of the Covenantor contained herein shall be deemed to be joint and several. Any settlement or release, by the Mortgagee, of one Covenantor shall not modify, settle, affect or release the liability of any other Covenantor hereunder.

26 RENEWAL

In the event that the Mortgagee shall agree to renew or extend the term of the mortgage, such renewal or extension, including the rate of interest, term, instalment and other stipulations of such renewal or extension, shall be binding upon the Mortgagor, its successors in title and assigns, and all subsequent mortgages, encumbrances and other interests in or of the mortgaged premises subsequent to this mortgage ("Subsequent Encumbrances"), and shall take full priority over all Subsequent Encumbrances, whether or not the said renewal or extension is filed or recorded by caveat at the applicable Land Titles Office and whether or not the rate of interest payable or amortization period applicable during the renewal or extension term is greater than or less than the rate or amortization stipulated in the mortgage. The Mortgagor shall, forthwith on request by the Mortgagee, provide to the Mortgagee, at the Mortgagor's expense, all such postponements and other assurances as the Mortgagee may require to ensure the foregoing binding effect and priority.

27. COMPLIANCE WITH LAW

The Mortgagor covenants and agrees promptly to observe, perform, execute and comply with all laws, rules, requirements, orders, directions, ordinances and regulations of every governmental authority and agency concerning the mortgaged premises and will, at the Mortgagor's own expense, make any and all improvements thereon or alterations thereto, structural or otherwise which may be required at any time by any such present or future law, rule, requirement, order, direction, ordinance or regulation. The Mortgagee whenever it deems necessary, may by its surveyor or agent enter upon and inspect the mortgaged premises and make such improvements and alterations as the Mortgagee deems necessary to render the mortgaged premises in compliance with such laws, rules, requirements, orders, directions, ordinances or regulations and the reasonable cost of such inspections, improvements and alterations with interest at the mortgage rate shall be payable forthwith and be a charge upon the mortgaged premises.

28 INTERPRETATION

- (a) Wherever the singular number or the masculine gender is used in the mortgage the same shall be construed as including the plural and feminine and neuter respectively where the fact or context so requires; and in any case where the mortgage is executed by more than one party all covenants and agreements herein contained shall be construed and taken as against such executing parties as joint and several; and the heirs, executors, administrators, successors and assigns of any party executing the mortgage are jointly and severally bound by the covenants, agreements, stipulations and provisos herein contained.
- (b) Wherever the term "mortgaged premises" is used in the mortgage, the same shall be construed as meaning the said lands together with all buildings and improvements referred to in clauses 6, 9, 10 and 22 of these Standard Charge Terms.
- (c) Wherever the term "mortgage money" is used in the mortgage, the same shall be construed as meaning all money payable by the Mortgagor to the Mortgagee pursuant to the mortgage.

29 ADDITIONAL COVENANTS

The covenants, agreements, stipulations and provisos herein stated shall be in addition to those granted or implied by statute.

30 CLAUSE TITLES

The clause titles herein are inserted for convenience of reference only and are deemed not to form part of the mortgage and are not to be considered in the construction or interpretation of the mortgage or any part thereof.

31 STATUTES

This mortgage is made in pursuance of The Real Property Act of Manitoba and in pursuance of the National Housing Act.

32 TRUE COPY

The Mortgagor acknowledges receipt of a true copy of the mortgage together with a copy of these Standard Charge Terms.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Ontario - Land Registration Reform Act	1
		1995-12-20

INTRODUCTION

The Land Registration Reform Act, 1984, (LRRA) came into effect in the Province of Ontario on April 1, 1985. This Act permits a set of standard charge terms to be filed and incorporated into a charge/mortgage by reference to its filing number. Canada Mortgage and Housing Corporation (CMHC) filed a set of standard charge terms on April 1, 1986. The filing number is 8616.

A version in the French language was filed on 2 January, 1992. The filing number is 912.

For all insured freehold and condominium mortgage loans registered after August 1, 1986, the standard charge term **may** be incorporated into the charge by reference to filing number 8616.

For insured leasehold mortgage loans, standard charge terms **may** be incorporated into the charge as above and leasehold provisions will be added by means of a schedule.

Note: CMHC must approve the wording for use in such schedules.

Approved Lenders **may** use the revised Mortgage Document, Form CMHC 1007 (see illustration beginning on page 2). This Form contains a set of the standard charge terms filed by CMHC.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Ontario - Land Registration Reform Act	2
		1992-11-02

LAND REGISTRATION REFORM ACT, 1984
SET OF STANDARD CHARGE TERMS

CMHC 1007 4/86
Ontario Charge

Filed by CANADA MORTGAGE AND HOUSING CORPORATION

Filing No.: 8616

Filing Date: April 1, 1986

The following set of Standard Charge Terms shall be deemed to be included in every charge in which the set is referred to by its filing number, as provided in Section 9 of the Land Registration Reform Act, 1984.

1. CHARGE

The chargor or chargors (herein call the "Chargor") named in any charge of which this set of Standard Charge Terms forms a part by reference to its filing number in such charge (herein called "Charge") charges the lands described in the Charge (herein called the "Charged Premises") with the payment to the Chargee of the principal and interest and all other monies secured by the Charge upon the terms as set out in the Charge including this set of Standard Charge Terms and whenever reference is made in this set of Standard Charge Terms to the Charge it shall include this set of Standard Charge Terms.

2. DEFEASANCE

- (a) The provisions relating to defeasance contained in subsection 6(2) of the Land Registration Reform Act, 1984, shall be and are hereby expressly excluded from the terms of the Charge.
- (b) The following proviso shall apply if and only if a specific proviso for defeasance is not included in a schedule to the Charge: Provided that this Charge shall be void upon the Chargor, his heirs, executors, administrators, successors or assigns or any of them paying or causing to be paid to the Chargee, its successors or assigns the principal sum set forth in the Charge and interest thereon as well after as before maturity and default and judgement at the rate set forth in the Charge at the days and times and in the manner set forth in the Charge and all other amounts payable by the Chargor hereunder and paying any taxes, rates, levies, charges or assessments upon the Charged Premises no matter by whom or what authority imposed and observing and performing all covenants, provisos and conditions herein contained.

3. APPLICATION OF PAYMENTS

Provided that if the Charge is repayable by blended instalments of principal and interest the instalments payable under the Charge are to be applied firstly to interest calculated as provided in the Charge on the principal monies from time to time outstanding and the balance of the said instalments shall be applied on account of principal; except however in the case of default by the Chargor, the Chargee may then apply any payments received during the period of default in whatever order it may elect as between principal, taxes, interest, repairs, insurance premiums or other advances made on behalf of the Chargor.

4. COMPOUND INTEREST

It is agreed that in case default shall be made in payment of any sum to become due for interest at any time appointed for payment thereof as aforesaid, compound interest shall be payable and the sum in arrears for interest from time to time, as well after as before maturity, shall bear interest at the rate aforesaid, and in case the interest and compound interest are not paid on the next interest payment date after the date of default a rest shall be made, and compound interest at the rate aforesaid shall be payable on the aggregate amount then due, as well after as before maturity, and so on from time to time, and all such interest and compound interest shall be a charge upon the Charged Premises.

5. TAXES

With respect to municipal taxes, school taxes and local improvement rates (hereinafter referred to as "taxes") chargeable against the Charged Premises, it is MUTUALLY AGREED between the parties to the Charge that:

- (a) The Chargee may deduct from the final advance of the monies secured by the Charge an amount sufficient to pay the taxes which have become or will become due and payable at the Interest Adjustment Date referred to in the Charge and are unpaid at the date of such final advance.
- (b) After the Interest Adjustment Date the Chargor shall pay to the Chargee in monthly instalments on the dates on which instalments of principal and interest are payable hereunder, sums sufficient to enable the Chargee to pay the whole amount of taxes on or before the due date for payment thereof or, if such amount is payable in instalments, on or before the due date for payment of the first instalment thereof.
- (c) Where the period between the Interest Adjustment Date and the next following annual due date or first instalment date is less than one year the Chargor shall pay to the Chargee in equal monthly instalments, during such period and during the next succeeding 12 months period, an amount estimated by the Chargee to be sufficient to pay, on or before the expiration of the said 12 months period, all taxes which shall become due and payable during the said two periods and during the balance of the year in which the said 12 months period expires; and the Chargor shall also pay to the Chargee on demand the amount, if any, by which the actual taxes exceed such estimated amount.
- (d) Except as provided in the last preceding clause, the Chargor shall, in each and every month, pay to the Chargee one-twelfth of the amount (as estimated by the Chargee) of the taxes next becoming due and payable; and the Chargor shall also pay to the Chargee on demand the amount, if any, by which the actual taxes exceed such estimated amount.
- (e) The Chargee shall allow the Chargor interest at not less than the prevailing rate allowed by the chartered banks on personal savings deposits with chequing privileges on the minimum monthly balances standing in the mortgage account from time to time to the credit of the Chargor for payment of taxes, such interest to be credited to the mortgage account not less frequently than once each year; and the Chargor shall be charged interest at the mortgage rate, on the debit balance, if any, of taxes in the mortgage account outstanding after payment of taxes by the Chargee, until such debit balance is fully repaid.

The Chargee agrees to apply such deduction and payments on the taxes chargeable against the said lands so long as the Chargor is not in default under any covenant, proviso or agreement contained herein, but nothing herein contained shall obligate the Chargee to apply such payments on account of taxes more often than yearly. Provided, however, that if, before any sum or sums so paid to the Chargee shall have been so applied, there shall be default by the Chargor in respect of any payment of principal or interest as herein provided, the Chargee may apply such sum or sums in or towards payment of the principal and/or interest in default. The Chargor further covenants and agrees to transmit to the Chargee the assessment notices, tax bills and other notices affecting the imposition of taxes forthwith after the receipt of same by him.

Notwithstanding the provisions of clause 5, the Chargee may, with the approval of Canada Mortgage and Housing Corporation, request the Chargor to pay the taxes as and when such taxes become due and to submit to the Chargee tax receipts evidencing the payment of the said taxes within 30 days after they become due, and in such case, the aforesaid monthly instalment, where applicable, will be adjusted accordingly.

6. PREPAYMENTS

- (a) Provided that the Chargor when not in default hereunder shall have the privilege of paying an additional amount of principal, not in excess of 10% of the original amount of this Charge, on the first anniversary of the interest adjustment date, and a similar amount of principal on the second anniversary of the said date, upon payment, by way of bonus of three months interest on the amount of any such additional payment, it being agreed that such privilege shall not be cumulative.
- (b) Provided that on the third anniversary of the interest adjustment date and on any monthly instalment date thereafter, the Chargor, when not in default hereunder, shall have the privilege of paying the whole amount owing hereunder, or any part thereof, upon payment by way of bonus of three months interest on the principal amount of any such additional payment.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Ontario - Land Registration Reform Act	3
		1992-11-02

2

CMHC 1007 4/86
Ontario Charge

6. PREPAYMENTS

(a) PROVIDED that the Chargor when not in default hereunder shall have the privilege of paying an additional amount of principal, not in excess of 10% of the original amount of this Charge, on the first anniversary of the interest adjustment date, and a similar amount of principal on the second anniversary of the said date, upon payment, by way of bonus of three months interest on the amount of any such additional payment, it being agreed that such privilege shall not be cumulative

(b) PROVIDED that on the third anniversary of the interest adjustment date and on any monthly instalment date thereafter, the Chargor, when not in default hereunder, shall have the privilege of paying the whole amount owing hereunder, or any part thereof, upon payment by way of bonus of three months interest on the principal amount of any such additional payment.

(c) PROVIDED, however, that if this mortgage covers a rental housing project, as defined in the National Housing Act, the foregoing additional payment privileges shall not apply, but the Chargor when not in default hereunder, shall have the privilege of paying, on the fifth anniversary of the interest adjustment date or on any monthly instalment date thereafter, the whole amount owing hereunder, upon payment by way of bonus, of an additional three months interest on the principal amount then outstanding.

(d) PROVIDED that when any partial additional payments are made the amount thereof shall be equal to the sum of the principal portions of a number of consecutive monthly instalments which would otherwise become due hereunder next following the date upon which such additional payment is made, and the payment dates of all remaining instalments and of the balance owing hereunder shall be accelerated so that the Chargor shall pay the aforesaid monthly instalment in each and every month, commencing with the month immediately following the month in which the additional payment is made and continuing until all monies owing hereunder shall have been fully repaid

7. DEEMED COVENANTS EXCLUDED

The covenants deemed to be included in a Charge by subsection 7(1) of the Land Registration Reform Act, 1984 shall be and are hereby expressly excluded from the terms of the Charge.

8. COVENANTS IN LIEU OF STATUTORY COVENANTS

The Chargor doth hereby, for himself, his heirs, executors, administrators and successors covenant, promise and agree to and with the Chargee, its successors and assigns, as follows:

(a) To Pay and Observe Covenants

That the Chargor, his heirs, executors, administrators and successors or some or one of them shall pay or cause to be paid to the Chargee, its successors or assigns without deduction or abatement the principal money secured by the Charge with interest as set out in the Charge at the times and in the manner therein limited for payment thereof, and shall do, observe, perform, fulfil and keep all the provisions, covenants, agreements and stipulations particularly set forth in the Charge, and, without limitation, shall pay any taxes, rates, levies, charges or assessments upon the Charged Premises or in respect thereof, no matter by whom or by what authority imposed, which the Chargee has paid or have been rendered liable to pay and shall also pay all other sums as the Chargee may be entitled to under the Charge.

(b) For Good Title

That the Chargor, at the time of execution and delivery of the Charge, is, and stands solely, rightfully and lawfully seized of a good, sure, perfect, absolute and indefeasible title in fee simple to the Charged Premises free of any trusts, reservations, limitations, provisos or conditions (except those contained in the original grant thereof from the Crown) or any other matter or thing to alter, charge, change, encumber or defeat the same.

(c) Right to Charge

That the Chargor has good right, full power and lawful and absolute authority to charge the Charged Premises with their appurtenances unto the Chargee, its successors and assigns, in the manner set out in the Charge.

(d) Quiet Possession on Default

That from and after default in the payment of the principal money mentioned in the Charge, or the interest thereof, or any part thereof, or in the doing, observing, performing, fulfilling or keeping of one or more of the provisions, agreements or stipulations contained in the Charge, contrary to the true intent and meaning thereof, then in every such case, it shall be lawful for the Chargee, its successors and assigns, peaceably and quietly to enter into, have, hold, use, occupy, possess and enjoy the lands and premises described in the Charge or intended so to be, with their appurtenances, without the let, suit, hindrance, interruption or denial of the Chargor, his heirs, executors, administrators, successors or assigns or any other person or persons whomsoever, free and clear of all arrears of taxes and assessments whatsoever due or payable upon or in respect of the Charged Premises or any part thereof and of and from all former conveyances, mortgages, charges, rights, annuities, debts, executions and recognizances and of any other charges or encumbrances whatsoever

(e) Further Assurances

That from and after default shall happen to be made of or in the payment of the principal amount, or the interest thereon, or any part of the principal or interest, as set forth in the Charge or of or in the doing, observing, performing, fulfilling or keeping of one or more of the provisions, agreements or stipulations in the Charge contrary to the true intent and meaning hereof, then and in every such case the Chargor, his heirs, executors, administrators and assigns and all every person or persons whosever having, or lawfully claiming, or who shall or may have or lawfully claim any estate, right, title, interest or trust of, in, to or out of the Charged Premises by, from, under or in trust for him, shall and will, from time to time, and at all times thereafter, at the proper costs and charges of the Chargee, its successors and assigns make, do, suffer and execute or cause or procure to be made, done, suffered and executed, all and every such further and other reasonable act or acts, deed or deeds, devices, conveyances, and assurances in the law for the further, better and more perfectly and absolutely conveying and assuring the Charged Premises unto the Chargee, its successors and assigns, as by the Chargee, its successors and assigns, or its or their solicitor shall or may be lawfully and reasonably devised, advised, or required.

(f) Insurance

- (i) And that the Chargor (which in this section includes his heirs, executors, administrators, successors or assigns) will forthwith insure and during the continuance of the Charge keep insured in favour of the Chargee (which in this section includes its successors or assigns) against loss or damage by fire, and, as the Chargee may require, insure against loss or damage by tempest, tornado, cyclone, lightning and other risks or hazards, each and every building on the Charged Premises and which may hereafter be erected thereon, both during erection and thereafter, for the full insurable value thereof in lawful money of Canada in a company duly authorized to carry on business as such and shall pay all premiums and sums of money necessary for such purpose as the same shall become due; each policy of insurance shall provide that loss, if any, shall be payable to the Chargee as its interest may appear, subject to a standard form of mortgage clause or other mortgage clause approved by the Chargee and the Chargor will forthwith assign, transfer and deliver over unto the Chargee the policy of insurance and receipts thereto appertaining, and if the Chargor shall neglect to keep the said buildings or any of them insured as aforesaid, or to deliver such policies and receipts or to produce to the Chargee at least fifteen days before the termination of any insurance, evidence of renewal thereof, the Chargee shall be entitled but shall not be obliged to insure the said buildings or any of them, and if the Chargee shall pay any premiums or sums of money for insurance for the premises or any part thereof the amount of such payment shall be added to the debt secured by the Charge and shall bear interest at the same rate applicable to principal as set out in the Charge from the time of such payments and shall be payable at the time appointed for the next ensuing paying of interest on the said debt; and the Chargor shall forthwith on the happening of any loss or damage, furnish at his own expense all necessary proofs and do all necessary acts to enable the Chargee to obtain payment of the insurance monies and the production of the Charge shall be sufficient authority for the said insurance company to pay any such loss to the Chargee, and the said insurance company is hereby directed thereupon to pay the same to the Chargee; and any insurance monies received may, at the option of the Chargee, be applied in

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Ontario - Land Registration Reform Act	4
		1992-11-02

3

CMHC 1007 4/86
Ontario Charge

rebuilding, reinstating or repairing the Charged Premises or be paid to the Chargor or any other person appearing by the registered title to be or to have been the owner of the Charged Premises or be applied or paid partly in one way and partly in another, or it may be applied, in the sole discretion of the Chargee, in whole or in part on the Charge debt or any part thereof whether due or not then due

- (ii) If the Charged Premises are part of a condominium the insurance provisions set out in paragraph (i) above will not apply and the following will apply to the Chargee

And that the Chargor (which in this section includes his heirs, executors, administrators, successors or assigns) or the Condominium Corporation or both of them will forthwith insure and during the continuance of the Charge keep insured in favour of the Chargee (which in this section includes its successors or assigns) against loss or damage by fire and, as the Chargee may require, insure against loss or damage by tempest, tornado, cyclone, lightning and other risks or hazards, each and every building on the Charged Premises and which may hereafter be erected thereon, both during erection and thereafter, for the full insurable value thereof in lawful money of Canada in a company approved by the Chargee, and the Chargor or the Condominium Corporation or both of them will forthwith assign, transfer and deliver unto the Chargee the policy or policies of insurance and receipts thereof appertaining and if the Chargor or Condominium Corporation or both of them shall neglect to keep the said buildings or any of them insured aforesaid, or to deliver such policy or policies, and receipts or produce to the Chargee at least fifteen days before the termination of any insurance, evidence of renewal thereof, the Chargee shall be entitled but shall not be obligated to insure the said buildings or any of them; and the Chargor or the Condominium Corporation or both of them shall forthwith on the happening of any loss or damage comply fully with the terms of the policy, or policies, of insurance and, without limiting the generality of the obligation of the Chargor to observe and perform all the duties and obligations imposed on him by the Condominium Act and by the Declaration and By-laws of the Condominium Corporation as hereinafter provided, shall comply with the insurance provisions of the Declaration; and the Chargor as a member of the Condominium Corporation shall seek the full compliance by the Condominium Corporation of the aforementioned covenants.

9 RELEASE

And the Chargor hath released, remised and forever quitted claim, and by these presents doth release, remise, and forever quit claim unto the Chargee, its successors and assigns, all right, title, interest, claim and demand whatsoever, of, unto and out of the said lands and premises hereby charged or intended so to be, and every part and parcel thereof, so as that neither the Chargor, his heirs, executors, administrators, successors or assigns, shall or may at any time hereafter have, claim, pretend to, challenge or demand the said Charged Premises or any part thereof, in any manner howsoever, subject always to the proviso for defeasance

10. ENTRY AFTER DEFAULT AND POWER OF SALE

Provided that the Chargee (which in this section includes its successors or assigns) on default by the Chargor (which in this section includes his heirs, executors, administrators, successors or assigns) of payment of the principal and interest or any part thereof as herein and by the Charge required or in the observing, performing, fulfilling or keeping of one or more of the covenants of the Chargor provided in the Charge may enter into possession of the lands and premises hereby charged or intended so to be and take the rents, issues and profits and whether in or out of possession make such lease or leases as he or they shall think fit, and also on fifteen days' default as aforesaid and after giving at least thirty-five days' written notice to the persons and in the manner and form prescribed by Part III of the Mortgages Act, R.S.O. 1980, c. 296 as it may be amended from time to time may sell the lands and premises charged by the Charge or intended so to be or any part or parts thereof by public auction or private contract, or partly the one and partly the other, and may convey and assure the same when so sold to the purchaser or purchasers thereof, his or their heirs, successors or assigns, or as he or they shall direct and may do all such assurances, acts, matters and things as may be found necessary for the purposes aforesaid, and the Chargee shall not be responsible for any loss which may arise by reason of any such leasing or sale as aforesaid unless the same shall happen by reason of its or their wilful neglect or default. In the event that the giving of such notice shall not be required by law or to the extent that such requirements shall not be applicable it is agreed that notice may be effectually given by leaving it with an adult person on the Charged Premises, if occupied, or by placing it on some portion of the Charged Premises if unoccupied, or at the option of the Chargee, by mailing it in a registered letter addressed to the Chargor at his last known address, or by publishing it once in a newspaper published in the county or district in which the Charged Premises are situate, and such notice shall be sufficient although not addressed to any person or persons by name or designation and notwithstanding that any person or persons to be affected thereby may be unknown, unascertained or under disability. And it is hereby further agreed that the proceeds of sale hereunder may be applied in payment of any costs, charges and expenses incurred in taking, recovering or keeping possession of the Charged Premises or by reason of non-payment or procuring payment of monies, secured hereby or otherwise, and that the Chargee may sell all or any part of the Charged Premises on such terms as to credit and otherwise as shall appear to it most advantageous and for such prices as can reasonably be obtained therefor and may make any stipulations as to title or evidence or commencement of title or otherwise which it shall deem proper, and may buy in or rescind or vary any contract for the sale of the whole or any part of the Charged Premises and resell without being answerable for loss occasioned thereby, and in the case of a sale on credit the Chargee shall be bound to pay the Chargor only such monies as have been actually received from purchasers after the satisfaction of the claims of the Chargee and for any of said purposes may make and execute all agreements and assurances as it shall think fit. Any purchaser or lessee shall not be bound to see to the propriety or regularity of any sale or lease or be affected by express notice that any sale or lease is improper and no want of notice or publication when required hereby shall invalidate any sale or lease hereunder; and that the title of a purchaser or lessee upon a sale or lease made in professed exercise of the above power shall not be liable to be impeached on the ground that no case had arisen to authorize the exercise of such power or that such power had been improperly or irregularly exercised, or that such notice had not been given, but any person damaged by an unauthorized, improper or irregular exercise of the power shall have his remedy against the person exercising the power in damages only; and the above powers may be exercised by the successors and assigns of the Chargee and against the heirs, executors, administrators, successors and assigns of the Chargor. The Chargee may sell fixtures, machinery, crops and standing or fallen trees apart from the lands, and the purchaser as well as the Chargee shall have all necessary access for securing, cutting and removal. It is agreed between the parties to the Charge that nothing in this section contained shall prejudice or diminish any other rights and remedies and powers of the Chargee hereunder or in the Charge contained or existing at law by virtue thereof.

And it is further agreed between the parties to the Charge that until such sale or sales shall be made as aforesaid, the Chargee shall and will stand possessed of the rents and profits of the said Charged Premises in case it shall take possession of them on default as aforesaid and after such sale or sales shall stand possessed of the monies to arise and be produced from such sales, or which might arise from any insurance upon the Charged Premises or any part thereof upon trust firstly in payment of all the expenses incident to the sales, leases, conveyances, or attempted sales, or leases, secondly all costs, charges, damages and expense of the Chargee relating to taxes, rents, insurance, repairs, utilities and any other amounts which the Chargee may have paid relating to the Charged Premises, thirdly in discharge of all interest and costs then due in respect of the Charge, fourthly in discharge of the principal money secured by the Charge, fifthly in payment of the subsequent encumbrances according to their priorities and the residue shall be paid to the Chargor as he may direct and shall also, in such event, at the request, costs and charges of the Chargor transfer, release and assure unto the Chargor or to such person or persons as he shall direct and appoint, all such parts of the Charged Premises as shall remain unsold for the purposes aforesaid, discharged from all the Charge, but no person who shall be required to make or execute any such assurances shall be compelled for the making thereof to go or travel from his usual place of abode. Provided always, and it is hereby further declared and agreed by and between the parties to these presents, that notwithstanding the power of sale and the other powers and provisions contained in the Charge the Chargee shall have and be entitled to its right of foreclosure of the fee interest or equity of redemption of the Chargor in the lands hereby charged as fully and effectually as it might have exercised and enjoyed the same in case the power of sale, and the other former provisos and trusts incident thereto had not been herein contained.

11 DISTRESS

Provided that and it is further stipulated, provided and agreed by and between the parties to the Charge that the Chargee, its successors or assigns, may distrain for arrears of interest against the Charged Premises or any part thereof and recover by way of rent reserved as in the case of a demise the arrears of interest and all costs and expenses incurred in such levy or distress and may also distrain for arrears of principal and monthly payments of taxes, if required, in the same manner as if the same were arrears of interest.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Ontario - Land Registration Reform Act	5
		1992-11-02

4

CMHC 1007 4/86
Ontario Charge

12. PRINCIPAL DUE ON DEFAULT

Provided that, and it is hereby further expressly declared and agreed, that if any default shall occur in the payment of the interest money secured by the Charge, or any part thereof, or in payment of any instalment of principal as the same mature or of any instrument, promissory note, bill of exchange or other obligation now or at any time held by the Chargee in respect of or representing or securing the money hereby secured or any part thereof, or in the performance of any covenant, proviso or agreement herein contained or if any waste be committed or suffered on the Charged Premises then at the option of the Chargee, the principal money secured by the Charge or intended so to be shall forthwith become due and payable in like manner and with the like consequences and effects as if the time herein mentioned for payment of such principal money had fully come and expired, subject to any relief afforded to the Chargor at law. The Chargee may, however, waive its right to call in the principal and shall not be therefore debarred from asserting and exercising its right to call in the principal upon the happening of any future default or breach.

13. CHARGOR'S QUIET POSSESSION UNTIL DEFAULT

And provided and it is agreed that until default in the payment of principal or interest secured by the Charge or intended so to be, or any part of either of the same or in the performance of any of the provisions set forth in the Charge contrary to the true intent and meaning thereof, it shall be lawful for the Chargor, his heirs, executors, administrators, successors and assigns, peaceably and quietly to have, hold, use, occupy, possess and enjoy the Charged Premises, and receive and take the rents and profits thereof to his and their own use and benefit, without let, suit, hindrance, interruption, or denial by the Chargee, its successors or assigns, or of or by any other person or persons whomsoever lawfully claiming, or who shall, or may lawfully claim by, from, under or in trust for it, them or any or either of them.

14. CONSTRUCTION

The Chargor covenants and agrees with the Chargee to construct a building or buildings and other improvements on the said land in accordance with plans and specifications which have been or are hereafter approved by Canada Mortgage and Housing Corporation and by the Chargee and to carry on diligently to completion the construction of the said building, buildings and other improvements.

15. WASTE

The Chargor covenants and agrees with the Chargee that he will not permit waste to be committed or suffered on the Charged Premises and will maintain the buildings and other improvements on the said premises in good order and repair to the satisfaction of the Chargee.

16. ALTERATIONS

The Chargor covenants and agrees with the Chargee that he will not make or permit to be made any alterations or additions to the Charged Premises without the consent of the Chargee and will not use the said premises or permit them to be used for the purpose of any business, trade or manufacture of any description.

17. INSPECTION

The Chargee or agent of the Chargee or agent of Canada Mortgage and Housing Corporation, may, at any time, enter upon the said lands to inspect the lands and buildings thereon.

18. ADVANCES

It is the intention of the parties hereto that the building now erected, being erected or to be erected on the Charged Premises forms part of the security for the full amount of the monies secured by this mortgage and that all advances on this mortgage are to be made from time to time in the future in accordance with the progress of such buildings and/or upon its completion and occupation or sale, and the Chargor agrees that neither the execution nor registration of this mortgage nor the advance of part of the said monies shall bind the Chargee to advance the said monies or any unadvanced part thereof, and that the advance of the said monies or any part thereof from time to time shall be in the sole discretion of the Chargee.

19. FIXTURES

It is hereby mutually covenanted and agreed by and between the parties hereto that all erections and improvements fixed or otherwise now on or hereafter put upon the Charged Premises, including but without limiting the generality of the foregoing, all fences, heating, piping, plumbing, aerials, air-conditioning, ventilating, lighting and water heating equipment, cooking and refrigeration equipment, window blinds, radiators and covers, fixed mirrors, fitted blinds, storm windows and storm doors, window screens and screen doors, shutters and awnings, floor coverings, and all apparatus and equipment appurtenant thereto, and all farm machinery and improvements, fixed or otherwise and even though not attached to the lands otherwise than by their own weight, are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the realty and shall be a portion of the security for the indebtedness herein mentioned.

20. PARTIAL RELEASE

Provided that the Chargee may at all times release any part or parts of the Charged Premises or any other security or any surety for payment of all or any part of the monies hereby secured or may release the Chargor or any other person from any covenant or other liability to pay the said monies or any part thereof, either with or without any consideration therefor, and without being accountable for the value thereof or for any monies except those actually received by the Chargee and without thereby releasing any other part of the Charged Premises, or any other securities or covenants herein contained, it being especially agreed that notwithstanding any such release the Charged Premises, securities and covenants remaining unreleased shall stand charged with the whole of the monies secured by the Charge.

21. CHARGE NOT BOUND TO ADVANCE

The Chargor agrees that neither execution nor registration of the Charge nor the advancement in part of the monies shall bind the Chargee to advance the monies or any unadvanced part thereof, but that the advance of the monies or any part thereof from time to time shall be in the sole discretion of the Chargee, but nevertheless the expenses of the examination of the title and of the Charge and valuation are to be secured by the Charge, the same to be charged hereby upon the Charged Premises and shall be without demand thereof, payable forthwith with interest at the rate provided in the Charge, and in default the Chargee's power of sale and all other remedies under the Charge shall be exercisable.

22. LIENS AND CONSTRUCTION

Provided also that upon the registration of any lien against the Charged Premises, or in the event of any buildings being erected thereon being allowed to remain unfinished or without any work being done on them for a period of ten (10) days, the principal and interest hereby secured shall, at the option of the Chargee, forthwith become due and payable.

23. NON-MERGER

Provided and it is agreed, that the taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenant or affect the Chargee's right to interest at the rate and times herein provided; and further that said judgment shall provide that interest thereon shall be computed at the same rate and in the same manner as herein provided until the said judgment shall have been fully paid and satisfied.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Ontario - Land Registration Reform Act	6
		1992-11-02

5

CMHC 1007 4/86
Ontario Charge

24. RIGHTS ON DEFAULT

And the Chargor covenants and agrees with the Chargee that in the event of default in the payment of any instalment of principal, interest or taxes hereby secured or any other monies payable hereunder by the Chargor or on breach of any covenant, proviso or agreement herein contained after all or any part of the monies hereby secured have been advanced, the Chargee may at such time or times as it may deem necessary and without the concurrence of any other person enter upon the said lands and may make such arrangements for completing the construction of, repairing or putting in order any buildings or other improvements on the said lands, or for inspecting, taking care of, leasing, collecting the rents of, and managing generally the property hereby secured as it may deem expedient, and all reasonable costs, charges and expenses including allowances for the time and service of any employee of the Chargee or other person appointed for the above purposes shall be forthwith payable to the Chargee, and shall be a charge upon the said lands and shall bear interest at the rate aforesaid until paid.

25. OBLIGATIONS SURVIVE SALE

Provided further that no sale or other dealing by the Chargor with the Charged Premises or any part thereof shall in any way change the liability of the Chargor or in any way alter the rights of the Chargee as against the Chargor or any other person liable for payment of the monies hereby secured.

26. DUE ON SALE

Provided that in event of

- (a) The Chargor selling, conveying, transferring, or entering into any agreement of sale or transfer of the title of the lands hereby charged to a purchaser, grantee or transferee not approved in writing by the Chargee; or
- (b) If such a purchaser, grantee or transferee should fail to (i) apply for and receive the Chargee's written approval as aforesaid, (ii) personally assume all the obligations of the Chargor under this Charge, and (iii) execute an Assumption Agreement in the form required by the Chargee,

then at the option of the Chargee all monies hereby secured with accrued interest thereon shall forthwith become due and payable.

27. PRIOR ENCUMBRANCES

It is further stipulated, provided and agreed, that the Chargee may pay the amount of any encumbrance, lien or charge now or hereafter existing, or to arise or to be claimed upon the said lands having priority over this Charge, including any taxes or other rates on the said lands or any of them, or any amounts payable to the Condominium Corporation, and may pay all costs, charges and expenses and all solicitors' charges or commissions, as between a solicitor and his client, which may be incurred in taking, recovering and keeping possession of the Charged Premises and generally in any proceedings or steps of any nature whatever properly taken in connection with or to realize this security, or in respect of the collection of any overdue interest, principal, insurance premiums or any other monies whatsoever payable by the Chargor hereunder whether any action or any judicial proceedings to enforce such payments has been taken or not, and the amount so paid and insurance premiums for fire or other risks or hazards and any other monies paid hereunder by the Chargee shall be added to the debt hereby secured and be a charge on the Charged Premises and shall bear interest at the rate aforesaid, and shall be payable forthwith by the Chargor to the Chargee, and the non-payment of such amount shall be a default of payment within the meaning of those words in the paragraph dealing with power of sale and shall entitle the Chargee to exercise the power of sale and all other remedies hereby given. In the event of the Chargee paying the amount of any such encumbrance, lien or charge, taxes or rates, either out of the monies advanced on the security or otherwise, it shall be entitled to all the rights, equities and securities of the person or persons, company, corporation, or Government so paid off, and is hereby authorized to retain any discharge thereof, without registration, for a longer period than six months if it thinks proper to do so.

28. EXTENSIONS

Provided that no extension of time given by the Chargee to the Chargor, or anyone claiming under the Chargor or any other dealing with the owner of the Charged Premises, shall in any way affect or prejudice the right of the Chargee against the Chargor or any other person liable for the payment of the monies hereby secured.

29. DISCHARGE

The Chargee shall have a reasonable time after payment in full of the monies secured by the Charge within which to prepare and execute a discharge of the Charge, and interest as aforesaid shall continue to run and accrue until actual payment in full has been received by the Chargee and all legal and other expenses for the preparation and execution of such discharge shall be borne by the Chargor.

30. SPOUSE'S CONSENT

And the spouse of the Chargor so named in the Charge hereby consents to the transaction evidenced by the Charge and releases all interest in the Charged Premises to the extent necessary to give effect to the rights of the Chargee hereunder, and agrees that the Chargee may, without further notice, deal with the Charged Premises and the debt hereby created as the Chargee may see fit.

31. FAMILY LAW ACT, 1986

The Chargor covenants and agrees that

- (a) he or the owner from time to time of the Charged Premises will advise and keep advised the Chargee as to whether he (i.e. the Chargor or the owner from time to time) is a spouse as defined by Section 1(1) of the Family Law Act, 1986 (the Act), and, if so, the name of his spouse, and of any change in his spousal status or in the status of the Charged Premises as a matrimonial home within the meaning of the Act, and
- (b) forthwith on request he will furnish the Chargee with such evidence in connection with any of the matters referred to in clause (a) above as the Chargee may from time to time require, including, without limitation, his and his spouse's name, address and birth date and his and his spouse's authorization to the Registrar under the Vital Statistics Act of Ontario to provide the Chargee from time to time on request all information in its possession relative to any marriage, divorce or death of the Chargor or his spouse,

and on default the principal money, interest and all other monies hereby secured shall, at the option of the Chargee, forthwith become due and payable.

32. SEVERABILITY OF ANY INVALID PROVISIONS

It is agreed that in the event that at any time any provision of these presents is illegal or invalid under or inconsistent with the provisions of any applicable statute or regulation thereunder or would by reason of the provisions of any such statute or regulation render the Chargee unable to collect the amount of any loss sustained by it as a result of making the above recited loan which it would otherwise be able to collect under such statute, then such provision shall not apply and shall be construed so as not to apply to the extent that it is so illegal, invalid or inconsistent or would so render the Chargee unable to collect the amount of any such loss.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Ontario - Land Registration Reform Act	7
		1992-11-02

6

CMHC 1007 4/86
Ontario Charge

33. CONDOMINIUMS

If the Charged Premises is a condominium unit, the following provisions shall apply:

- (a) The Charge is made in pursuance of the Condominium Act.
- (b) The Chargor covenants and agrees at all times and from time to time to observe and perform all duties and obligations imposed on him by the Condominium Act and by the Declaration and the By-laws, as amended from time to time, of the Condominium Corporation, by virtue of his ownership of the said lands. Any breach of the said duties and obligations shall constitute a breach of covenant under the Charge.
- (c) Without limiting the generality of the foregoing, the Chargor covenants and agrees that he will pay promptly when due any contributions to common expenses required of him as an Owner of the Charged Premises and in the event of his default in doing so the Chargee, at its option, may pay the same and the amount so paid shall be added to the debt secured by the Charge and shall be a charge on the Charged Premises and shall bear interest at the same rate from the time of such payments and shall be payable forthwith by the Chargor to the Chargee whether or not any payment in default has priority to the Charge or any part of the monies secured thereby.
- (d) The Chargee is hereby irrevocably authorized and empowered to exercise the right of the Chargor as an Owner of the Charged Premises vote or to consent in all matters relating to the affairs of the Condominium Corporation provided that:
 - (i) The Chargee may at any time or from time to time give notice in writing to the Chargor and the said Condominium Corporation that the Chargee does not intend to exercise the said right to vote or consent and in that event until the Chargee revokes the said notice the Chargor may exercise the right to vote. Any such notice may be for an indeterminate period of time or for a limited period of time or for a specific meeting or matter.
 - (ii) The Chargee shall not by virtue of the assignment to the Chargee of the right to vote or consent be under any obligation to vote or consent or to protect the interests of the Chargor.
 - (iii) The exercise of the right to vote or consent shall not constitute the Chargee a Chargee in possession.

34. RECEIVERSHIP

Notwithstanding anything herein contained, it is declared and agreed that any time and from time to time when there shall be default under the provisions of these presents, the Chargee may, at such time and from time to time and with or without entry into possession of the Charged Premises, or any part thereof, by instrument in writing appoint any person, whether an officer or officers or an employee or employees of the Chargee or not, to be a receiver (which term as used herein includes a receiver manager and also includes the plural as well as the singular) of the Charged Premises, or any part thereof, and of the rents and profits thereof, and with or without security, and may from time to time by similar writing remove any receiver and appoint another in his stead, and that, in making any such appointment or removal, the Chargee shall be deemed to be acting as the agent or attorney for the Chargor, but no such appointment shall be revocable by the Chargor. Upon the appointment of any such receiver from time to time the following provisions shall apply:

- (a) Every such receiver shall have unlimited access to the Charged Premises as agent and attorney for the Chargor (which right of access shall not be revocable by the Chargor) and shall have full power and unlimited authority to -
 - (i) collect the rents and profits from tenancies whether created before or after these presents,
 - (ii) rent any portion of the Charged Premises which may become vacant on such terms and conditions as he considers advisable and enter into and execute leases, accept surrenders and terminate lease,
 - (iii) complete the construction of any building or buildings or other erections or improvements on the Charged Premises left by the Chargor in an unfinished state or award the same to others to complete and purchase, repair and maintain any personal property including, without limitation, appliances and equipment, necessary or desirable to render the premises operable or rentable, and take possession of and use or permit others to use all or any part of the Chargor's materials, supplies, plans, tools, equipment (including appliances) and property of every kind and description,
 - (iv) manage, operate, repair, alter or extend the Charged Premises or any part thereof.

The Chargor undertakes to ratify and confirm whatever any such receiver may do in the premises.

- (b) The Chargee may at its discretion vest the receiver with all or any of the rights and powers of the Chargee.
- (c) The Chargee may fix the reasonable remuneration of the receiver who shall be entitled to deduct the same out of the revenue or the sale proceeds of the Charged Premises.
- (d) Every such receiver shall be deemed the agent or attorney of the Chargor and, in any event, the agent of the Chargee and the Chargee shall not be responsible for his acts or omissions.
- (e) The appointment of any such receiver by the Chargee shall not result in or create any liability or obligation on the part of the Chargee to the receiver or to the Chargor or to any other person and no appointment or removal of a receiver and no actions of a receiver shall constitute the Chargee a Chargee in possession of the Charged Premises.
- (f) No such receiver shall be liable to the Chargor to account for monies other than monies actually received by him in respect of the Charged Premises, or any part thereof, and out of such monies so received every such receiver shall, in the following order, pay:
 - (i) his remuneration aforesaid,
 - (ii) all costs and expenses of every nature and kind incurred by him in connection with the exercise of his powers and authority hereby conferred;
 - (iii) interest, principal and other money which may, from time to time, be or become charged upon the Charged Premises in priority to these presents, including taxes;
 - (iv) to the Chargee all interest, principal and other monies due hereunder to be paid in such order as the Chargee in its discretion shall determine;
 - (v) and thereafter, every such receiver shall be accountable to the Chargor for any surplus.

The remuneration and expenses of the receiver shall be paid by the Chargor on demand and shall be a charge on the Charged Premises and shall bear interest from the date of demand at the same rate as applies to the principal hereby secured.

- (g) Save as to claims for accounting under clauses (f) of this paragraph, the Chargor hereby releases and discharges any such receiver from every claim of every nature, whether sounding in damages or not which may arise or be caused to the Chargor or any person claiming through or under him by reason or as a result of anything done by such receiver unless such claim be the direct and proximate result of dishonesty or fraud.
- (h) The Chargee may, at any time and from time to time, terminate any such receivership by notice in writing to the Chargor and to any such receiver.
- (i) The statutory declaration of an officer of the Chargee as to default under the provisions of these presents and as to the due appointment of the receiver pursuant to the terms hereof shall be sufficient proof thereof for the purposes of any person dealing with a receiver who is ostensibly exercising powers herein provided for and such dealing shall be deemed, as regards such person, to be valid and effectual.
- (j) The rights and powers conferred herein in respect of the receiver are supplemental to and not in substitution of any other rights and powers which the Chargee may have.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Ontario - Land Registration Reform Act	8
		1992-11-02

7

CMHC 1007 4/86
Ontario Charge

35 COMPLIANCE WITH LAW

The Chargor covenants and agrees to promptly observe, perform, execute and comply with all laws, rules, requirements, orders, directions, ordinances and regulations of every governmental authority and agency concerning the Charged Premises and will at its own expense make any and all improvements thereon or alterations thereto, structural or otherwise, which may be required at any time by any such present or future law, rule, requirement, order, direction, ordinance or regulation. The Chargee, whenever it deems necessary, may by its surveyor or agent enter upon and inspect the Charged Premises and make such improvements and alterations as the Chargee deems necessary to render the Charged Premises in compliance with such laws, rules, requirements, orders, directions, ordinances or regulations and the reasonable cost of such inspection, improvements and alterations with interest at the rate set forth in the Charge shall be payable forthwith and be a charge upon the Charged Premises.

36 CHARGEES EXPENSES

The Chargor agrees to pay the reasonable and necessary costs, charges and expenses of and incidental to this Charge, and to any and all other documents required in connection therewith, and any amendment or renewal thereof, and of anything done in connection with the enforcement of the security granted thereby or the procuring or the payment of any monies payable hereunder including, without limiting the generality of the foregoing, all solicitor's fees, costs and expenses of examination of title, and the obtaining of the opinion of counsel for the Chargee thereon and all costs and expenses valuing the Charged Premises in connection with the foregoing. The Chargor further agrees that such amounts shall be paid forthwith upon demand and until paid shall bear interest at the rate provided for in the Charge and shall be a charge on the Charged Premises.

37 INTERPRETATION

And it is hereby agreed and declared that the expression "the Chargor" used in these presents shall include the heirs, executors, administrators, successors and assigns of the Chargor and the expression "the Chargee" shall include the successors and assigns of the Chargee and (if the Charge affects the Condominium) the expression "the Condominium Corporation" shall mean the Condominium Corporation referred to in the description and the expression "Declaration" shall mean the declaration registered in connection with the Condominium Corporation, and words in the singular include the plural, and words in the plural include the singular, and words importing the masculine gender include the feminine and neuter genders where to context so requires, and that all covenants, liabilities and obligations entered into or imposed hereunder upon the Chargor shall be equally binding upon his, her or their respective heirs, executors, administrators, successors and assigns and that all such covenants, liabilities and obligations shall be joint and several, and that all rights, advantages, privileges, immunities, powers and things hereby secured to the Chargee shall be equally secured to and exercisable by its successors and assigns.

38 PARAGRAPH HEADINGS

The paragraph headings herein are inserted for convenience of reference only and are deemed not to form part of the Charge and are not to be considered in the construction or interpretation of the Charge or any part thereof.

39 DATE OF CHARGE

This Charge, unless otherwise specifically provided, shall be deemed to be dated as of the earliest date of signature by a Chargor.

40 NATIONAL HOUSING ACT

The Charge is made in pursuance of the National Housing Act.

41 TRUE COPY

The Chargor acknowledges receipt of a true copy of the within Charge.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms	1
		1998-10-30

INTRODUCTION

Standard mortgage terms can now be filed in Alberta as a result of amendments to the Land Titles Act in 1996 and 1997. The amendments permit standard mortgage terms to be filed and incorporated into a mortgage by reference to the Document Filing No. of the standard mortgage terms.

On February 24, 1998, CMHC filed standard mortgage terms in Calgary as Document Filing No. 981056195, and in Edmonton as Document Filing No. 982053533.

For all insured freehold, leasehold and condominium mortgage loans secured by a mortgage and registered after February 24, 1998, the said standard mortgage terms may be incorporated into the mortgage by reference to the Document Filing No.

Approved Lenders may use the revised Mortgage Document, Form CMHC 1010 Calgary and CMHC 1010 Edmonton accordingly (see illustration beginning on page 2). These forms contain the standard mortgage terms filed by CMHC and can be used with all freehold, leasehold and condominium mortgages registered in Alberta.

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 2 1998-10-30
---	---	-----------------------------

CMHC 1010
Calgary*Land Titles Act*

STANDARD MORTGAGE TERMS

Filed by CANADA MORTGAGE AND HOUSING CORPORATION

Document Filing No.: 981056195
Filing Date: February 24, 1998

The following set of Standard Mortgage Terms shall be deemed to be included in every mortgage in which this set is referred to by its filing number, as provided in Sections 113.1 and 113.2 of the *Land Titles Act* (R.S.A. 1980) Chapter L-5.

<u>Index</u>	<u>Page</u>
1. Definitions and Interpretation	2
2. Mortgage and Charge	4
3. Interest	4
4. Payment	4
5. Timing of Payments	4
6. Advances and Expenses	5
7. Compound Interest	5
8. Application of Payments	5
9. Covenant to Pay	5
10. Prepayment Right	5
11. Construction	5
12. Payment of taxes and Other Charges	6
13. Insurance	6
14. Improvements	8
15. Default	8
16. Non-Merger and Releases	9
17. Costs and Expenses	9
18. Subrogation	10
19. Alterations	10
20. Currency Payment	10
21. Discretions	10
22. Additional Rights	10
23. Land Act Short Form Covenants	10
24. Discharge of Mortgage	10
25. Statutory Basis for Mortgage	10
26. Due On Sale	11
27. Tenant Deposits	11
28. Expropriation	12
29. Renewal	12
30. Condominium Provisions	12

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Calgary)	3
		1998-10-30

CMHC 1010
Calgary

- 2 -

31.	Leasehold Provisions	13
32.	Assignment of Leases	14
33.	Environmental Conditions	14
34.	Environmental Compliance	14
35.	Environmental Indemnity	15
36.	Protection of Mortgaged Premises	15
37.	Inspections and Reports	15
38.	Governing Law	15

1. Definitions and Interpretation

- (a) Unless there is something in the subject matter or context inconsistent therewith, in this set of Standard Mortgage Terms the following expressions shall have the following meanings:

"**Business Day**" means a day of the week other than Saturday, Sunday, or any other day which is a statutory or municipal holiday in the municipality where the head office of the Mortgagee and/or municipality where the Mortgaged Premises are situate.

"**CMHC**" means Canada Mortgage and Housing Corporation, a body corporate created under the *Canada Mortgage and Housing Act*, R.S.C. 1985 c. C-7.

"**Condominium Act**" means the *Condominium Property Act*, R.S.A. 1980, c. C-22, as amended and/or restated from time to time.

"**First Instalment Date**" means the first Instalment Date as set out in the Registered Mortgage.

"**Indebtedness**" means the aggregate of:

- (i) the Principal Amount, and
- (ii) all interest on the Principal Amount and compound interest as provided in the Mortgage, and
- (iii) any amount, cost, charge, expense and interest which has been added to the Indebtedness under the terms of the Mortgage, and
- (iv) any other amount, cost, charge, expense and interest otherwise due and payable to the Mortgagee under or secured by the Mortgage.

"**Instalment Date**" means a day specified or described in the Registered Mortgage as a day on which instalments are to be paid.

"**Interest Adjustment Date**" means the Interest Adjustment Date specified or described in the Registered Mortgage.

"**Interest Rate**" means the rate of interest specified or described and calculated in accordance with the Registered Mortgage.

"**Land Act**" means the *Land Titles Act*, R.S.A. 1980, c. L5, as amended and/or restated from time to time.

"**Land Titles**" means the Land Titles Office under the Land Act.

"**Legal Expenses**" means legal fees and disbursements on a solicitor-and-his-own client, full indemnity, basis.

"**Lien Act**" means the *Builders Lien Act*, R.S.A. 1980, c. B-12, as amended and/or restated from time to time.

"**Maturity Date**" means the Maturity Date specified or described in the Registered Mortgage.

"**Mortgage**" means:

- (i) the Registered Mortgage, together with
- (ii) this Set of Standard Mortgage Terms;

and where the context permits includes any and all renewals, extensions and amendments thereto made in writing from time to time.

"**Mortgaged Premises**" means the lands described in the Registered Mortgage together with all buildings, structures and improvements built upon or made to the said lands from time to time, all fixtures described herein, and all other appurtenances thereto.

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 4 1998-10-30
---	--	-----------------------------

CMHC 1010
Calgary

- 3 -

"Mortgagee" means the mortgagee as described in the Registered Mortgage and his heirs, executors, administrators, successors and assigns.

"Mortgagor" means the mortgagor as described in the Registered Mortgage and his heirs, executors, administrators, successors and assigns.

"Municipal Act" means the *Municipal Government Act*, (Alta. 1994) c. M-26.1, as amended and/or restated from time to time.

"National Housing Act" means the *National Housing Act*, R.S.C. 1985, c. N-11, as amended and/or restated from time to time.

"PCB" means polychlorinated biphenyls.

"Person" includes any individual, partnership, joint venture, trust, unincorporated organization or any other association, corporation and government or any department or agency thereof.

"Principal Amount" means the amount specified or described in the Registered Mortgage as the principal amount of the Mortgage and where the context permits includes the principal balance remaining unpaid from time to time.

"Registered Mortgage" means the mortgage registered at Land Titles which incorporates and adopts this set of Standard Mortgage Terms by referring to the filing number of this set of Standard Mortgage Terms, together with all schedules thereto.

"Requirements of Environmental Law" means all requirements of the common law and of statutes, regulations, by-laws, ordinances, treaties, judgments and decrees, and (whether or not they have the force of law) rules, policies, guidelines, orders, approvals, notices, permits, directives and the like, of any federal, territorial, provincial, regional, municipal or local judicial, regulatory or administrative agency, board or governmental authority relating to environmental or health or fire or safety matters (or any of them) and the Mortgaged Premises and the activities carried out thereon (whether in the past, present or the future) including, but not limited to, all such requirements relating to: (i) the protection, preservation or remediation of the natural environment (the air, land, surface water or groundwater); (ii) the generation, handling, treatment, storage, transportation or disposal of or other dealing with solid, gaseous or liquid waste; and (iii) substances or conditions that are prohibited, controlled or otherwise regulated or are otherwise hazardous in fact (collectively "Hazardous Substances") such as contaminants, pollutants, toxic, dangerous or hazardous substances, toxic, dangerous or hazardous materials, designated substances, controlled products, including without limitation, wastes, subject wastes, urea formaldehyde foam type of insulation, asbestos or asbestos-containing materials, PCBs or PCB contaminated fluids or equipment, explosives, radioactive substances, petroleum and associated products, underground storage tanks or surface impoundments; and (iv) the securing, protection, preservation and remediation of health, fire and/or safety concerns.

"Taxes" means all taxes, rates, assessments, levies, local improvements charges, school taxes, property taxes, liens and penalties, municipal, local, parliamentary or otherwise that are now or may hereafter be imposed, charged or levied upon or with respect to the Mortgaged Premises or any part thereof, and all taxes or charges levied in lieu thereof, and includes (without limitation) where the context permits all municipal utilities and service rates and charges and other charges that may be added to the tax roll for or otherwise howsoever made a charge upon the Mortgaged Premises under the *Municipal Act*.

"Transfer" means any sale, transfer, assignment, agreement for sale, conveyance or other disposition of the Mortgaged Premises, in whole or in part, or of any interest therein.

"Transferee" means any purchaser, transferee or assignee pursuant to a Transfer.

- (b) In the event that the Mortgaged Premises are or hereafter become registered under the *Condominium Act* or are part of a property that is registered or hereafter becomes registered under the *Condominium Act*, it is agreed that the following additional definitions and provisions shall apply to the Mortgage:

"Common Expenses" means the expenses of the performance of the objects and duties of the Condominium Corporation and any expenses specified as common expenses in the Condominium Bylaws, including without limitation reserve fund levies, and any charges or expenses levied upon Units as common expenses as provided for in the Condominium Bylaws.

"Common Property" means common property as shown on the Condominium Plan.

"Condominium Bylaws" means the bylaws of the Condominium Corporation as amended and/or restated from time to time.

"Condominium Corporation" means the corporation created by the registration of the Condominium Plan.

"Condominium Plan" means the condominium plan under which the Mortgaged Premises are or hereafter become registered under the *Condominium Act* and includes any redivision or consolidation of such condominium plan and other amendment of such condominium plan from time to time.

"Insurance Trustee" means the insurance trustee (if any) appointed pursuant to the Condominium Bylaws.

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 5 1998-10-30
---	---	-----------------------------

CMHC 1010
Calgary

- 4 -

"Unit" means a condominium unit as shown on the Condominium Plan.

- (c) In the event the Mortgaged Premises are or include, or hereafter become or include, any leasehold estate or estates then it is agreed that the following additional definitions and provisions shall apply to the Mortgage:

"Lease" means the lease or leases that comprise or form part of the Mortgaged Premises, and any and all renewals and extensions thereof.

"Leasehold Estate" means the leasehold interests in land provided for in the Lease.

"Leasehold Obligations" means any and all obligations of the lessee or tenant under and in respect of the Lease.

- (d) Each obligation of the Mortgagor expressed in the Mortgage, even though not expressed as a covenant, is deemed for all purposes to be a covenant made with the Mortgagee.
- (e) In any case where the Mortgage is executed by more than one party all covenants and agreements in the Mortgage contained shall be construed and taken as against such executing parties as joint and several; and the heirs, executors, administrators, successors and assigns of any party executing the Mortgage are jointly and severally bound by the covenants, agreements, stipulations and provisos contained in the Mortgage.
- (f) Words in the Mortgage importing the singular number include the plural and vice versa; and words importing gender include the neuter, feminine and masculine genders.

2. **Mortgage and Charge**

For the better securing to the Mortgagee of the repayment in the manner set out in the Mortgage of the Principal Amount and interest and all other Indebtedness and obligations of the Mortgagor secured by the Mortgage the Mortgagor hereby mortgages and charges to the Mortgagee all the Mortgagor's estate and interest in the Mortgaged Premises.

3. **Interest**

The Principal Amount shall bear interest at the Interest Rate both before and after default, demand, maturity and judgment until paid.

4. **Payment**

The Mortgage shall operate until all Indebtedness is paid in full to the Mortgagee, and all obligations whose performance is secured by the Mortgage are performed, in the manner provided in the Mortgage.

The Mortgagor will pay to the Mortgagee at the address stated in the Registered Mortgage or at such other place in Canada as the Mortgagee may from time to time designate in writing in lawful money of Canada the Principal Amount with interest thereon, or on so much thereof as shall from time to time remain unpaid, at the Interest Rate both before and after default, demand, maturity and judgment, until paid, and computed from the date of the first advance of the principal as follows:

- (a) Interest at the Interest Rate on the amounts from time to time advanced, computed from the respective dates of such advances, shall become due and be paid on the Instalment Date in each month following the date of the first advance to and including the Interest Adjustment Date set out in the Registered Mortgage. At the option of the Mortgagee, interest so due and payable may be deducted from such advances.
- (b) Thereafter the Principal Amount and interest set out in the Registered Mortgage shall become due and be paid in equal monthly instalments on each Instalment Date in each month and in each year from and including the First Instalment Date to and including the Maturity Date; and
- (c) On the Maturity Date the full balance of the Principal Amount and all other Indebtedness under the Mortgage shall become due and be paid.

In the event that the entire Principal Amount shall for any reason not have been advanced before the Interest Adjustment Date, then the Mortgagee may unilaterally amend the Interest Adjustment Date, the First Instalment Date, and the Maturity Date at any time prior to the advance of the full Principal Amount, by notice in writing by ordinary mail to the Mortgagor.

5. **Timing of Payments**

All payments under the Mortgage shall be made before 12:00 o'clock noon Mountain Time on any day on which payment is to be made. In the event the payment is made on a day that is not a Business Day or is made after 12:00 o'clock noon on a Business Day, any such payment will be deemed to have been made on the next following Business Day.

6. **Advances and Expenses**

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 6 1998-10-30
---	---	-------------------------

CMHC 1010
Calgary

- 5 -

All advances are to be made in such manner at such times and in such amounts, up to the Principal Amount, as the Mortgagee in its sole discretion may determine, subject always to the proviso that the Mortgagee is not bound to advance any unadvanced portion thereof. The Mortgagor agrees that neither the preparation, execution nor registration of the Mortgage shall bind the Mortgagee to advance the Principal Amount, nor shall the advance of a part of the Principal Amount bind the Mortgagee to advance the unadvanced portion thereof, but nevertheless the Mortgage shall take effect forthwith upon the execution of the Registered Mortgage by the Mortgagor, and the Mortgagee's Legal Expenses, including without limitation the Legal Expenses of the examination of the title and other costs associated with the Mortgage, together with the Mortgagee's loan processing fees as well as the Mortgagee's costs and expenses incurred in appraising the Mortgaged Premises, assessing the financial status of the Mortgagor and any guarantor of the Mortgage and conducting any other searches and investigations required by the Mortgagee in evaluating the loan secured by the Mortgage and the Mortgaged Premises and securing the Mortgagee's interest in the Mortgaged Premises shall be, in the event of the whole or any balance of the Principal Amount not being advanced, payable forthwith by the Mortgagor to the Mortgagee, and, together with interest thereon at the Interest Rate, shall be added to the Indebtedness and secured by the Mortgage.

7. **Compound Interest**

All interest on becoming overdue, and any amount, cost, charge or expense that has been added to the Indebtedness under the terms of the Mortgage, shall be treated (as to payment of interest thereon at the Interest Rate) as principal and shall bear compound interest at the Interest Rate, both before and after default, demand, maturity and judgment until paid, and all such interest and compound interest shall be added to the Indebtedness and secured by the Mortgage. If any of the monies secured by the Mortgage are not paid when due, the Mortgagor will, so long as any part thereof remains unpaid, pay interest thereon from day to day. Compounding shall occur every six months on the anniversaries of the Interest Adjustment Date and the anniversaries of the same day of the sixth month following the Interest Adjustment Date.

8. **Application of Payments**

The instalments set out in the Registered Mortgage are to be applied firstly to interest and secondly to principal repayment except, however, in the case of default by the Mortgagor in which event the Mortgagee may apply any payments received during the period of default to any part of the Indebtedness in whatever order it may elect notwithstanding any contrary stipulation by the Mortgagor.

9. **Covenant to Pay**

The Mortgagor covenants with the Mortgagee that the Mortgagor will pay the Indebtedness to the Mortgagee as and when provided in the Mortgage without any deduction, set-off, abatement or counterclaim. If more than one Person signs the Mortgage as Mortgagor, such Persons are jointly and severally liable to pay the Indebtedness as aforesaid and to perform and observe all of the Mortgagor's obligations under the Mortgage.

10. **Prepayment Right**

The Mortgagor, when not in default under the Mortgage, shall have the privilege of paying an additional amount of principal, not in excess of 10 percent of the original Principal Amount, on the first anniversary of the Interest Adjustment Date and a similar amount of principal on the second anniversary of the interest Adjustment Date, upon payment, by way of bonus, of three months' interest on the amount of any such additional payment, it being agreed that such privilege shall not be cumulative.

Provided that on the third anniversary of the Interest Adjustment Date and on any Instalment Date thereafter, the Mortgagor, when not in default under the Mortgage, shall have the privilege of paying the whole amount owing hereunder, or any part thereof, upon payment, by way of bonus, of an additional three months' interest on the additional amount of principal so paid.

Provided, however, that if the Mortgage covers a rental housing project, as defined in the *National Housing Act*, the foregoing additional payment privileges shall not apply, but the Mortgagor, when not in default hereunder, shall have the privilege of paying, on the fifth anniversary of the Interest Adjustment Date, or on any Instalment Date thereafter, the whole amount owing hereunder, upon payment, by way of bonus, of an additional three months' interest on the Principal Amount then outstanding.

Provided that when any partial additional payments are made the payment dates of all remaining instalments shall be accelerated so that the Mortgagor shall pay instalments on each and every Instalment Date, commencing with the Instalment Date immediately following the date on which the additional payment is made and continuing until the earlier of the Maturity Date or the date on which all Indebtedness owing hereunder shall have been fully repaid.

11. **Construction**

If the Mortgagor is constructing or in future constructs a building or buildings or other improvements on the Mortgaged Premises then the same shall be constructed in accordance with plans and specifications which have been or are hereafter approved by the Mortgagee and will carry on diligently to completion the construction of the said building, buildings or other improvements.

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 7 1998-10-30
---	---	-----------------------------

CMHC 1010
Calgary

- 6 -

12. Payment of Taxes and Other Charges

Subject as hereinafter in this paragraph provided, the Mortgagor will pay as and when the same fall due all Taxes, rates, liens, charges, encumbrances or claims which are or may be or become charges or claims against the Mortgaged Premises or on the Mortgage or on the Mortgagee in respect of the Mortgage; provided that in respect of municipal taxes, rates, assessments and levies, property taxes, school taxes and local improvements charges and rates (hereinafter referred to as "Property Taxes") chargeable against the Mortgaged Premises:

- (a) The Mortgagee may deduct from the final advance of money secured by the Mortgage an amount sufficient to pay the Property Taxes which have become or will become due and payable on or before the day preceding the Interest Adjustment Date and are unpaid at the date of such final advance.
- (b) After the Interest Adjustment Date the Mortgagor will pay to the Mortgagee on the Instalment Dates, sums sufficient to enable the Mortgagee to pay the whole amount of Property Taxes on or before the due date for payment thereof or, if payable in instalments, on or before the due date for payment of the first instalment thereof.
- (c) Where the period between the Interest Adjustment Date and the next following annual due date for Property Taxes is less than one year the Mortgagor will pay to the Mortgagee in equal instalments, during such period and during the next succeeding 12-month period, an amount estimated by the Mortgagee to be sufficient to pay, on or before the expiration of the said 12-month period, all Property Taxes which shall become due and payable during the said two periods and during the balance of the year in which the said 12-month period expires; and the Mortgagor will also pay to the Mortgagee on demand the amount, if any, by which the actual Property Taxes exceed such estimated amount.
- (d) Except as provided in the last preceding clause, the Mortgagor shall, on each and every Instalment Date, pay to the Mortgagee a portion of estimated Property Taxes appropriate to secure full payment (as estimated by the Mortgagee in its sole discretion) of the Property Taxes next becoming due and payable; and the Mortgagor shall also pay to the Mortgagee on demand the amount, if any, by which the actual Property Taxes exceed such estimated amount.
- (e) The Mortgagee shall allow the Mortgagor credit for interest at not less than the prevailing rate allowed by Canadian chartered banks on personal savings deposits with chequing privileges, on the minimum monthly balances standing in the mortgage account from time to time to the Mortgagor's credit for payment of Property Taxes, such interest to be credited to the mortgage account not less frequently than once each year; and the Mortgagor shall be charged interest, at the Interest Rate, on the debit balance, if any, of Property Taxes in the Mortgagor's mortgage account outstanding after payment of Property Taxes by the Mortgagee, until such debit balance is fully repaid.

The Mortgagee will apply such deduction and payments on the Property Taxes chargeable against the Mortgaged Premises so long as the Mortgagor is not in default under any covenant, proviso or agreement contained in the Mortgage, but nothing herein contained shall obligate the Mortgagee to apply such payments on account of Property Taxes more often than yearly. Provided, however, that if, before any sum or sums so paid to the Mortgagee shall have been so applied, there shall be default by the Mortgagor in respect of any payment of principal or interest or other Indebtedness as in the Mortgage provided, the Mortgagee may apply such sum or sums in or towards payment of the principal or interest or other Indebtedness in default. The Mortgagor further agrees to transmit to the Mortgagee the assessment notices, tax bills and other notices affecting the imposition of Property Taxes forthwith after the receipt of same by the Mortgagor.

Notwithstanding the foregoing provisions, the Mortgagee may request the Mortgagor to pay the Property Taxes as and when such Property Taxes become due and to submit to the Mortgagee tax receipts evidencing the payment of the Property Taxes within 30 days after they become due.

13. Insurance

- (a) The Mortgagor will forthwith insure and during the continuance of the Mortgage keep insured in favour of the Mortgagee, against loss or damage by fire and, as the Mortgagee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, floods and other risks or hazards, each and every building on or comprising the Mortgaged Premises and which may hereafter be erected thereon, both during erection and thereafter, for the full replacement value thereof in lawful money of Canada with a company approved by the Mortgagee; and the Mortgagor will forthwith assign, transfer and deliver over unto the Mortgagee the policy of insurance and receipts therefor; and if the Mortgagor shall neglect to keep the said buildings or any of them insured as aforesaid, or to deliver such policies and receipts or to produce to the Mortgagee at least fifteen days before the termination of any insurance, evidence of renewal thereof, the Mortgagee shall be entitled but shall not be obligated to insure the said buildings or any of them; and the Mortgagor will forthwith on the happening of any loss or damage, furnish at the Mortgagor's own expense all necessary proofs and do all necessary acts to enable the Mortgagee to obtain payment of the insurance money; and any insurance money received may, at the option of the Mortgagee in its sole discretion, be applied in rebuilding, reinstating or repairing the Mortgaged Premises, or be paid to the Mortgagor or any other person appearing by the registered title to be or to have been the owner of the Mortgaged Premises, or it may be applied in whole or in part, on the Indebtedness or any part thereof whether due or not then due, or be applied or paid partly in one way and partly in another.
- (b) Without limiting the foregoing, the Mortgagor shall place and keep in force the following insurance in respect of the Mortgaged Premises and such insurance coverage shall be placed and kept in force with a company or companies satisfactory to the Mortgagee and the Mortgagee shall receive the original policies signed by the Insurer or Insurers or such other evidence of insurance

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 8 1998-10-30
---	---	-----------------------------

CMHC 1010
Calgary

- 7 -

acceptable to the Mortgagee and such policies shall be satisfactory to the Mortgagee in form and content. Where under the insurance policies described below, loss is payable to the Mortgagee, such insurance policies shall show the loss payable to the Mortgagee as first mortgagee. Coverage shall include:

- (i) Fire and extended coverage and malicious damage, including leakage from fire protection equipment on a stated amount replacement cost basis (as per IAO wording) with loss payable to the Mortgagee by way of an IAO approved mortgage clause. Permission should be granted for the improvements to be completed and for the Mortgaged Premises to be vacant or unoccupied for a period of at least thirty (30) days and it shall provide for partial occupancy;

and if the Mortgaged Premises shall be a rental housing project as defined in the *National Housing Act*.

- (ii) Comprehensive broad form boiler insurance including unfired pressure vessels insurance and air-conditioning equipment, if any, including repair and replacement and including Use and Occupancy coverage, for an amount satisfactory to the Mortgagee with loss payable to the Mortgagee by way of a Boiler and Machinery Insurance Association mortgage clause;
- (iii) Comprehensive general liability insurance for bodily injury and/or death and damage to property of others for a minimum amount per occurrence approved by the Mortgagee, written on an inclusive basis; and
- (iv) Rental insurance coverage sufficient to cover 100% of the gross annual rentals from the Mortgaged Premises for a period of twelve (12) months, based on the greater of actual or projected rentals.

In this clause "IAO" means the Insurers' Advisory Organization, an advisory organization established by property insurers carrying on business in Canada.

- (c) If the Mortgaged Premises are or shall in the future be or become a condominium or part of a condominium then the Mortgagor or the condominium corporation or both of them will insure and during the continuance of the Mortgage keep insured the Mortgaged Premises in favour of the Mortgagee against loss for the coverages set out in subparagraphs (a) and (b) hereof and by policies in form and content issued by insurers acceptable to the Mortgagee in its sole discretion.
- (d) The Mortgagor will, and if the Mortgaged Premises are or include condominium properties will cause the Condominium Corporation to, forthwith assign, transfer and deliver to the Mortgagee the policy or policies of insurance and receipts therefor and if the Mortgagor or Condominium Corporation or either of them shall neglect to keep the said buildings or any of them insured as aforesaid, or to deliver such policy or policies, and receipts therefor, or produce to the Mortgagee at least fifteen (15) days before the termination of any insurance, evidence of renewal thereof, the Mortgagee shall be entitled but shall not be obligated to insure the said buildings or any of them; and the Mortgagor or the Condominium Corporation or both of them shall forthwith on the happening of any loss or damage comply fully with the terms of the policy, or policies, of insurance and, without limiting the generality of the obligation of the Mortgagor to observe and perform all the duties and obligations imposed on him by the *Condominium Act* and the Condominium Bylaws of the Condominium Corporation as herein provided, shall comply with the insurance provisions of the *Condominium Act* and the Condominium Bylaws; and the Mortgagor as member of the Condominium Corporation shall seek the full compliance by the Condominium Corporation with the aforementioned requirements.
- (e) All cancellation and alteration clauses in the above-referenced policies, including those contained in the mortgage clause insurance endorsement, are to provide for at least thirty (30) days' prior notice to the Mortgagee of such cancellation or any material alteration. Such policies shall also provide that the Mortgagee is to receive at least thirty (30) days' prior notice of any material alteration of such policy.
- (f) The Mortgagee shall be entitled to require coverage of such other risks and perils as the Mortgagee may from time to time reasonably consider advisable or desirable and in respect of which insurance coverage may be available.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Calgary)	9
		1998-10-30

CMHC 1010
Calgary

- 8 -

14. Improvements

All erections and improvements fixed or otherwise now on or hereafter put upon the Mortgaged Premises, including but without limiting the generality of the foregoing, all buildings, fences, heating, plumbing, air-conditioning, ventilating, lighting and water heating equipment, cooking, cleaning, drying and refrigeration equipment, window blinds, storm windows and storm doors, window screens and screen doors, maintenance equipment, security equipment, elevators, and communications equipment; and all apparatus and equipment appurtenant thereto are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the realty and of the security of the Mortgage and are included in the expression "the Mortgaged Premises"; and the Mortgagor will not commit or permit any act of waste thereon; and the Mortgagor will at all times during the continuance of the Mortgage, the same repair, maintain, restore, amend, keep, make good, finish, add to and put in order; and in the event of any loss or damage thereto or destruction thereof the Mortgagee may give notice to the Mortgagor to repair, rebuild, or reinstate the same within a time to be determined by the Mortgagee and to be stated in such notice; and upon the Mortgagor's failure so to repair, rebuild, or reinstate within such time such failure shall constitute a breach of covenant under the Mortgage and thereupon the full balance of the Principal Amount and all other Indebtedness under the Mortgage shall at the option of the Mortgagee become immediately due and payable, without any demand by the Mortgagee upon the Mortgagor.

15. Default

The Mortgagor further agrees that in the event of default under the Mortgage or in any provision thereof or any collateral security, or in the event of bankruptcy, insolvency or winding up of the Mortgagor, or the making of any proposal or companies creditors arrangement under any insolvency or creditors arrangements laws:

- (a) The Mortgagee may send or employ an inspector or agent to inspect and report upon the value, state and condition of the Mortgaged Premises and a solicitor to examine and report upon the title to the same;
- (b) The Mortgagee or agent of the Mortgagee may enter into possession of the Mortgaged Premises and whether in or out of possession collect the rents and profits thereof, and make any demise or lease of the Mortgaged Premises, or any part thereof, for such terms and periods and at such rents as the Mortgagee shall think proper; and the powers of sale and foreclosure hereunder may be exercised either before or after and subject to any such demise or lease;
- (c) The Mortgagee or agent of the Mortgagee may at such time or times as the Mortgagee may deem necessary and without the concurrence of any person, enter upon the Mortgaged Premises and may make such arrangements for completing the construction of, repairing or putting in order any buildings or other improvements on the Mortgaged Premises, or for inspecting or taking care of the Mortgaged Premises as the Mortgagee may deem expedient;
- (d) It shall and may be lawful for and the Mortgagor does hereby grant full power, right and licence to the Mortgagee to enter, seize and distrain upon the Mortgaged Premises, or any part thereof, and by distress warrant to recover by way of rent reserved as in the case of demise of the Mortgaged Premises, as much of the Indebtedness as shall from time to time be or remain in arrears and unpaid, together with all costs, charges and expenses attending such levy or distress, as in like cases of distress for rent;
- (e) The Mortgagee may sell and dispose of the Mortgaged Premises with or without entering into possession of the same, whether by sale to a third party or by sale to the Mortgagee, or may foreclose upon the Mortgaged Premises, and with or without notice to the Mortgagor or any party interested in the Mortgaged Premises;
- (f) All remedies may be resorted to;
- (g) All the rights, powers and privileges granted to or conferred upon the Mortgagee under and by virtue of any statute or by the Mortgage may be exercised;
- (h) Any notice may be effectually given by leaving the same with an adult person on the Mortgaged Premises if occupied, or by placing the same thereon, or on any part thereof, if unoccupied, or at the option of the Mortgagee by publishing the same in some newspaper published in the Province of Alberta; and such notice shall be sufficient though not otherwise addressed than "To whom it may concern"; and no want of notice or publication or any other defect, impropriety or irregularity shall invalidate any sale made or purporting to be made of the Mortgaged Premises under the Mortgage;
- (i) The Mortgagee may sell, transfer and convey any part of the Mortgaged Premises on such terms as to credit or part cash and part credit, secured by contract or agreement for sale or mortgage, or otherwise, as shall appear to the Mortgagee most advantageous and for such prices as can reasonably be obtained therefor; and in the event of a sale on credit or for part cash and part credit, whether by way of contract for sale or by conveyance or transfer and mortgage, the Mortgagee is not to be accountable for or charged with any money until the same shall be actually received in cash; and sales may be made from time to time of parts of the Mortgaged Premises to satisfy interest or parts of the principal overdue, leaving the principal or parts thereof to run with interest payable as aforesaid; and the Mortgagee may make stipulations as to title or evidences or commencement of title or otherwise as the Mortgagee shall deem proper, and may buy in or rescind or vary any contract for sale; and on any sale or resale, the Mortgagee shall not be answerable for loss occasioned thereby; and for any of such purposes the Mortgagee may make and execute all agreements and assurances that the Mortgagee shall deem advisable or necessary;
- (j) The whole of the Principal Amount remaining and all interest and other Indebtedness shall, at the option of the Mortgagee, become immediately due and payable;

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 10 1998-10-30
---	---	------------------------------

CMHC 1010
Calgary

- 9 -

- (k) The Mortgagee may, in writing, appoint any person or persons, whether an officer or officers, or employee or employees of the Mortgagee, or not, to be a receiver or receivers of the Mortgaged Premises and the rents and profits derived therefrom, and may remove any receiver or receivers so appointed and appoint another or others in his or their stead. The term "receiver" as used in the Mortgage shall include a receiver, a manager, or a receiver and manager. The following provisions shall apply to this subparagraph:
- (i) A receiver or receivers so appointed are conclusively the agent or agents of the Mortgagor and the Mortgagor shall be solely responsible for the acts or defaults and for the remuneration and expenses of the receiver or receivers. The Mortgagee shall not be in any way responsible for any misconduct or negligence on the part of any receiver or receivers and may, from time to time, fix the remuneration of every receiver or receivers and be at liberty to direct the payment thereof from the proceeds collected.
 - (ii) Nothing contained in the Mortgage and nothing done by the Mortgagee or by a receiver or receivers shall render the Mortgagee a Mortgagee in possession or responsible as such.
 - (iii) All monies received by the receiver or receivers, after providing for payment and charges ranking prior to the Mortgage and for all costs, charges and expenses of or incidental to the exercise of any of the powers of the receiver or receivers as hereinafter set forth, may be applied in or towards satisfaction of the monies owing pursuant to the Mortgage.
 - (iv) The receiver or receivers so appointed shall have power to:
 - a. take possession of, collect and get in the property, rents and profits, charged by the Mortgage and any additional or collateral security granted by the Mortgagor to the Mortgagee and for that purpose to take any proceedings, be they legal or otherwise, in the name of the Mortgagor or otherwise;
 - b. to carry on or concur in carrying on any business which the Mortgagor is conducting on and from the Mortgaged Premises; and
 - c. lease or re-lease all or any portion of the Mortgaged Premises and for this purpose to execute contracts in the name of the Mortgagor which said contracts shall be binding upon the Mortgagor.

The rights and powers conferred by this subparagraph (k) are supplemental to and not in substitution for any other rights which the Mortgagee may have from time to time.

16. **Non-Merger and Releases**

The Mortgagor also agrees that the taking of a judgment on any of the covenants or agreements contained in the Mortgage shall not operate as a merger thereof; the Mortgagee may at all times release any part or parts of the Mortgaged Premises or any other security or any surety for payment of all or any part of the money secured by the Mortgage or may release the Mortgagor or any other person from any covenant or other liability to pay the Indebtedness or any part thereof, either with or without any consideration therefor, and without being accountable for the value thereof or for any money except those actually received by the Mortgagee, and without thereby releasing any part of the Mortgaged Premises, or any other securities or covenants in the Mortgage contained; it being specifically agreed that notwithstanding any such release the Mortgaged Premises, securities and covenants remaining unreleased shall stand charged with the whole of the Indebtedness secured by the Mortgage; no extension of time given by the Mortgagee to the Mortgagor, or anyone claiming under or through the Mortgagor, shall in any way affect or prejudice the rights of the Mortgagee against the Mortgagor or any other person liable for payment of the Indebtedness hereby secured.

17. **Costs and Expenses**

All Legal Expenses and all inspector's, valuator's and surveyor's fees and expenses for drawing and registering the Mortgage and for examining the Mortgaged Premises and the title thereto, and for making or maintaining the Mortgage a first charge on the Mortgaged Premises, together with all sums which the Mortgagee may and does from time to time advance, expend or incur under the Mortgage as principal, insurance premiums, Taxes or rates, or in or toward payment of prior liens, charges, encumbrances or claims charged or to be charged against the Mortgaged Premises or on the Mortgage or on the Mortgagee in respect of the Mortgage or the Mortgaged Premises, and in maintaining, repairing, restoring or completing the Mortgaged Premises, and in inspecting, leasing, managing, or improving the Mortgaged Premises, including the price or value of any goods of any sort or description supplied to be used on the Mortgaged Premises, and in exercising or enforcing or attempting to enforce or in pursuance of any right, power, remedy or purpose under the Mortgage or subsisting, and Legal Expenses, and an allowance for the time, work and expenses of the Mortgagee, or of any agent, solicitor or employee of the Mortgagee, or any purpose herein provided for and whether such sums are advanced or incurred with the knowledge, consent, concurrence or acquiescence of the Mortgagor or otherwise, are to be secured hereby and shall be a charge on the Mortgaged Premises, together with interest thereon at the Interest Rate, and all such moneys shall be repayable to the Mortgagee on demand, or if not demanded then with the next ensuing instalment, except as herein otherwise provided, and all such sums together with interest thereon are included in the expression "the Indebtedness".

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Calgary)	11
		1998-10-30

CMHC 1010
Calgary

- 10 -

18. Subrogation

In the event of the Principal Amount or any portion thereof or any other monies advanced under the Mortgage, or any part thereof, being applied to the payment of any charge or encumbrance including without limitation Taxes, the Mortgagee shall be subrogated to all the rights of and stand in the position of and be entitled to all the equities of the party so paid off, whether such charge or encumbrance has or has not been discharged; and the decision of the Mortgagee as to the validity or amount of any advance or disbursement made under the Mortgage or of any claim so paid off shall be final and binding on the Mortgagee; the Mortgagee shall not be charged with any money receivable or collectible out of the Mortgaged Premises or otherwise, except those actually received; and all revenue of the Mortgaged Premises received or collected by the Mortgagee from any source other than payment by the Mortgagor may at the option of the Mortgagee be used in maintaining or insuring or improving the Mortgaged Premises, or in payment of Taxes or other charges against the Mortgaged Premises, or otherwise applied against the Indebtedness in such manner as the Mortgagee deems appropriate.

19. Alterations

The Mortgagor shall not make, or permit to be made, any alterations or additions to the Mortgaged Premises without the consent of the Mortgagee; and the Mortgagor shall not use the Mortgaged Premises or permit them to be used for any purpose of any business, trade or manufacture of any description; the Mortgagee or agent of the Mortgagee or agent of CMHC may, at any time, enter upon the Mortgaged Premises to inspect the lands and buildings thereon.

20. Currency Payment

All money whether principal, interest or other moneys payable to the Mortgagee under the terms of the Mortgage shall be payable in lawful money of Canada to the Mortgagee, at its address stated in the Registered Mortgage or such other place as may be designated by the Mortgagee.

21. Discretions

Any discretion, option, decision or opinion hereunder on the part of the Mortgagee shall be sufficiently exercised or formed if exercised or formed by or subsequently ratified by the manager, acting manager or assistant manager of any branch office of the Mortgagee in the Province of Alberta or an executive officer of the Mortgagee or any officer or agent appointed by the Mortgagee for such purpose.

22. Additional Rights

The covenants, agreements, stipulations and provisos in the Mortgage stated shall be in addition to those granted or implied by statute.

23. Land Act Short Form Covenants

The Mortgagor further agrees with the Mortgagee that the Mortgagor:

- (a) has a good title to the Mortgaged Premises,
- (b) has the right to mortgage the Mortgaged Premises,
- (c) will execute such further assurances of the Mortgaged Premises as may be requisite,
- (d) has done no act to encumber the Mortgaged Premises, and
- (e) on default the Mortgagee shall have quiet possession of the Mortgaged Premises, free from all encumbrances.

24. Discharge of Mortgage

The Mortgagee shall have a reasonable time after payment of the Indebtedness in full within which to prepare and execute a discharge of the Mortgage; and interest shall continue to run and accrue until actual payment in full has been received by the Mortgagee; and all Legal Expenses and other expenses for the preparation and execution of such discharge shall be borne by the Mortgagor.

25. Statutory Basis for Mortgage

The Mortgage is made pursuant to the *Land Act* and the *National Housing Act*.

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 12 1998-10-30
---	---	--

CMHC 1010
Calgary

- 11 -

26. Due On Sale

- (a) In the event of a Transfer of the Mortgaged Premises, in whole or in part, or of any interests therein to a Transferee, if
- (i) the Mortgagor fails to apply for the approval of the Mortgagee as to the Transferee and the terms and conditions of the Transfer,
 - (ii) the Mortgagee does not approve the Transferee,
 - (iii) the Mortgagee does not approve the terms and conditions of the Transfer, or
 - (iv) the Transferee fails to enter into an assumption agreement agreeing to assume the Mortgage and any amendments thereto, and any collateral agreements and to pay the amount thereby secured and perform every covenant, condition and obligation contained in the Mortgage and any amendments thereto, and any collateral agreements, to be performed by the Mortgagor thereunder (including this obligation) at the time and in the manner and in all respects as therein contained and to be bound by each and all of the terms, covenants, conditions and obligations of the Mortgage and any amendments thereof, then, and in any such case, the outstanding principal balance of the Mortgage shall, at the option of the Mortgagee, immediately become due and payable together with all accrued interest and other monies owing thereunder.
- (b) Any transfer or issue by sale, assignment, bequest, inheritance, operation of law or other disposition, or by issue from time to time of all or any part of the corporate shares of the Mortgagor to any person or group of persons resulting in a change in the control of the Mortgagor shall be deemed to be a Transfer within the meaning of the Mortgage and the Transferee shall be deemed to be the party or parties who acquire the said shares and the provisions in respect of any Transfer and any Transferee (except for the requirement for the Transferee to enter into an assumption agreement) shall apply mutatis mutandis thereto. The Mortgagor and any Transferee shall make available to the Mortgagee, or its representatives, all of their respective books and records, including without limitation corporate records for inspection in order to ascertain whether a Transfer has occurred or has been deemed to have occurred.
- (c) Acceptance by the Mortgagee of payments made by any Transferee shall not be or be deemed to be approval or acceptance of the Transferee.
- (d) In the event that the Mortgagor or any person acts in such a way as to invoke any provision now existing or hereafter enacted under any applicable condominium or strata title legislation or regulations, and amendments thereto, respecting prepayment, in whole or in part, of any monies secured under the Mortgage, then such action shall be deemed to be a Transfer and the provisions of this Paragraph 26 shall apply to such action.
- (e) The Mortgagee shall be entitled to charge a servicing fee to process each request for approval, as herein contemplated, which fee shall be payable by the Mortgagor in advance.
- (f) No Transfer or consent to Transfer or assumption of the Mortgage or completion of an assumption agreement by any Transferee shall in any way release or otherwise affect the personal covenants or obligations of the Mortgagor herein named or any guarantor or other surety of the Mortgage or any intervening Transferee or other person liable for payment of the Indebtedness.
- (g) The Mortgagor will not register or cause to be registered any subdivision plan, condominium plan or strata space plan in respect of the Mortgaged Premises or any part thereof without the Mortgagee's consent, which consent may be arbitrarily withheld; and any consent given may be on such terms and conditions and subject to such requirements as the Mortgagee in the Mortgagee's sole discretion may require.

27. Tenant Deposits

If the Mortgaged Premises shall be rented out or let for rent, in whole or in part, then the Mortgagor will observe and perform any and all requirements of laws in respect of the handling of tenant damage deposits and security deposits. If the Mortgagor shall fail to observe, perform or pay any obligations or liabilities in respect of the damage deposits and security deposits or other deposits received from tenants in respect of the Mortgaged Premises under any applicable laws, statutes or regulations, then the Mortgagee at its sole option may (but shall not be obligated to) observe, perform or pay the same and all costs and expenses of so doing shall be reimbursed to the Mortgagee by the Mortgagor forthwith and shall bear interest at the Interest Rate (calculated from the date incurred) and shall be a charge upon the Mortgaged Premises. Further, the Mortgagor agrees that at the sole option of the Mortgagee, the Mortgagee may require the Mortgagor to provide to the Mortgagee and maintain, for additional security to the Mortgagee in the event of default hereunder, a letter of credit, bond or other assurances or security on terms and in form and content determined by the Mortgagee (acting reasonably) securing performance of all tenant damage deposit obligations arising in respect of the Mortgaged Premises from time to time.

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 13 1998-10-30
---	---	--------------------------

CMHC 1010
Calgary

- 12 -

28. Expropriation

If the Mortgaged Premises or any material part thereof shall be expropriated by any government authority, body or corporation having powers of expropriation, the indebtedness shall, at the Mortgagee's option, forthwith become due and payable, together with interest thereon at the Interest Rate to the date of payment and together with a bonus equal to a sum of three months' interest at the Interest Rate, calculated on the amount of indebtedness consisting of the Principal Amount. Further and without limiting any of the foregoing, in the event that any portion of the Mortgaged Premises shall be purchased, acquired by agreement or otherwise taken for any public work whatsoever pursuant to the *Municipal Act* or the *Public Works Act of Alberta* or any other statute or regulation, then and in such event

- (a) any and all consideration or compensation whatsoever payable to the Mortgagor or anyone claiming an interest under or through the Mortgagor shall be payable to and shall be paid to the Mortgagee and the same are hereby assigned irrevocably to the Mortgagee accordingly, and further any such compensation paid to or to the order of or received by the Mortgagor shall be and be deemed to be held in trust for the Mortgagee; and
- (b) at the Mortgagee's sole option the amount of the principal hereby secured remaining unpaid shall forthwith become due and payable, together with interest thereon at the Interest Rate to the date of payment and together with a bonus equal to a sum of three months' interest at the Interest Rate, calculated on the amount of principal so remaining unpaid.

29. Renewal

In the event that the Mortgagee shall agree to renew or extend the term of the Mortgage, such renewal or extension (the "Renewal") (and rate of interest, term, instalment and other stipulations for such Renewal) shall be binding upon the Mortgagor, his heirs, executors, administrators, successors and assigns, and his successors in title, and all subsequent mortgages, encumbrances and other interests in or of the Mortgaged Premises subsequent to the Mortgage (together hereinafter called "Subsequent Encumbrances"). Further, the Renewal shall take full priority over all Subsequent Encumbrances, whether or not the Renewal is filed or recorded by caveat at Land Titles and whether or not the rate of interest payable or payment amortization period or instalment amount or frequency applicable during the Renewal term is greater than or less than the rate or amortization or instalments stipulated in the Registered Mortgage. The Mortgagor shall, forthwith on request therefor by the Mortgagee, provide to the Mortgagee, at the Mortgagor's expense, all such postponements and other assurances as the Mortgagee may require to ensure the foregoing binding effect and priority. All Renewals (if any) shall be done at the Mortgagor's expense (including without limitation payment of Mortgagee's Legal Expenses). No Renewal even if made by a successor in title to or assignee of the Mortgagor named herein and whether or not the Mortgagor or any intervening Transferee shall consent thereto, shall in any way release or abrogate or render unenforceable the covenants or obligations of the Mortgagor named herein or of any intervening Transferee which shall continue notwithstanding such Renewal and shall apply to the Mortgage as renewed or extended.

30. Condominium Provisions

In the event that the Mortgaged Premises shall now or at any time hereafter comprise or include a Unit or Units in a condominium created pursuant to the *Condominium Act* and/or the Common Property interests related to such Unit or Units, then in such event:

- (a) The Mortgagor will observe and perform each and every one of the covenants, duties, obligations and provisions required to be observed under or pursuant to the terms of the Mortgage, the *Condominium Act*, and any legislation passed in substitution therefor, and the By-laws of the Condominium Corporation of which the Mortgagor is a member by virtue of the Mortgagor's ownership of the Condominium Units charged by the Mortgage;
- (b) Without limiting the generality of the foregoing subparagraph (a), the Mortgagor will pay promptly when due any and all Common Expense levies, charges, assessments, instalments or payments made, assessed or levied by the Condominium Corporation or any authorized agent on its behalf, and any and all other contributions to the common costs of the condominium and any and all other charges or levies by the Condominium Corporation, payable in respect of, or charged to the owner of, the Mortgaged Premises (all of which said levies, assessments, charges, costs and payments are hereinafter referred to as "unit charges");
- (c) If and whenever the Mortgagor defaults in the Mortgagor's obligations to pay unit charges or breaches any other covenants, obligations, duties requirements or provisions referred to in subparagraph (a) hereof then, regardless of any other action or proceeding taken or to be taken by the Condominium Corporation, such default or breach shall be and constitute a default under the terms of the Mortgage and the Mortgagee may exercise all or any of its rights and/or remedies hereunder as for any other default under the Mortgage;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Calgary)	14
		1998-10-30

CMHC 1010
Calgary

- 13 -

- (d) Without limiting any other remedy which the Mortgagee may have under the Mortgage, in the event that the Mortgagor is in default in the observance or performance of any of the provisions or requirements of the *Condominium Act* or the By-laws or in the payment of unit charges, and if such default is susceptible of being cured by the Mortgagee, the Mortgagee may at its option (but it shall not be obligated to) cure such default and otherwise perform the obligations or part thereof on behalf of the Mortgagor and for that purpose may enter upon and occupy the Mortgaged Premises (and no such entry or occupation shall constitute or be deemed to be an entry into possession by the Mortgagee or render the Mortgagee a Mortgagee in possession) and all costs, charges and expenses incurred by the Mortgagee or other person appointed for such purposes as determined by the Mortgagee, together with interest on all such sums at the Interest Rate until paid, shall be due and payable by the Mortgagor to the Mortgagee forthwith on demand and until paid shall be a charge upon the Mortgaged Premises, and secured by the Mortgage. No such right of payment or performance by the Mortgagee shall prevent it from exercising its option to cause the whole Indebtedness to become due and payable upon the Mortgagor's default or failure, or to exercise any of the other rights or remedies of the Mortgagee under the Mortgage.
- (e) The Mortgagee is hereby irrevocably authorized and empowered to exercise the right of the Mortgagor as an owner of the Unit or Units included in the Mortgaged Premises to vote or to consent or to not vote or to refuse to consent in all matters relating to the affairs of the Condominium Corporation without in any way consulting the Mortgagor in the manner in which the vote shall be exercised or not exercised and without incurring any liability to the owner or anyone else because of the manner in which such vote or right to consent in the affairs of the Condominium Corporation was exercised or not exercised and provided that if the Mortgagee fails to attend meetings of the Corporation of which it has received proper notice in person or by proxy then in the Mortgagee's absence the Mortgagor shall have the right to vote on all matters properly before the meeting. The Mortgagor will provide to the Mortgagee on request such proxies and/or other instruments as the Mortgagee may require to facilitate the Mortgagee's exercise of the right to vote. Further, the exercise of the right to vote by the Mortgagee shall not constitute the Mortgagee a mortgagee in possession. The Mortgagee shall be free to exercise its own judgment and act in its own interest in exercising its right to vote and shall have no duty or obligation to vote on any matter to protect or benefit the interest of the Mortgagor.
- (f) The existence of a Condominium Plan in respect of the Mortgaged Premises shall not in any way whatsoever fractionalize, or partition responsibility between condominium Units under the Mortgage or any of the terms or conditions thereof; and the Mortgage shall continue to operate as full security for the full amount of all moneys payable under the Mortgage on each and every Unit (and on all Units) and on all Common Property within or forming part of Mortgaged Premises; and without limiting the generality of the foregoing, neither the Mortgagor nor any successor or assign of the Mortgagor shall be entitled to any partial break-out or discharge of the Mortgage as to any Unit or Units or Common Property.
- (g) The Mortgagor covenants with the Mortgagee to deliver to the Mortgagee in person or by prepaid registered mail, a copy of the following:
- (i) every request or claim for the consent of the Mortgagor affecting the Unit or Common Property of the condominium which copy is to be received by the Mortgagee within 5 days from the date such request or claim is received or made by the Mortgagor, and
 - (ii) any information known to the Mortgagor concerning the termination of any management agreement or insurance trust agreement in respect of the condominium, or any proposal or application to terminate the condominium status of the Mortgaged Premises, which information is to be delivered immediately upon the Mortgagor learning of such information;
- (h) the Mortgagor hereby assigns to the Mortgagee the proceeds of all insurance that may be otherwise payable to the Mortgagor by the Insurance Trustee or the Condominium Corporation or the Condominium Corporation's insurers.

31. Leasehold Provisions

If the Mortgaged Premises are or include, or hereafter comprise or include, a Leasehold Estate, the Mortgagor further covenants and agrees as follows:

- (a) That all necessary consents to the grant of the Mortgage have been validly and properly obtained and the Mortgage validly mortgages and charges the Leasehold Estate;
- (b) That the Mortgagor will well and truly observe and perform all Leasehold Obligations as and whenever due and in strict compliance with the requirements of the Lease; and will at all times keep and retain the Lease in full force and effect;
- (c) That the Mortgagor will not surrender, cancel or amend the Lease in any way without the prior written consent of the Mortgagee;
- (d) That if the Mortgagor shall be in default of any Leasehold Obligations the Mortgagee may, but shall not be obligated to, pay or perform all or any of such Leasehold Obligations and any and all costs, expenses, payments and outlays made or incurred by or on behalf of the Mortgagee in so doing, including without limitation Legal Expenses, shall, together with interest thereon calculated from the date incurred at the Interest Rate, forthwith be re-paid to the Mortgagee and shall be a charge upon the Mortgaged Premises;
- (e) That nothing herein or in exercise by the Mortgagee of any rights or remedies under the Mortgage shall in any way render the Mortgagee liable or responsible for any Leasehold Obligations; and

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Calgary)	Page 15 1998-10-30
---	---	--------------------------

CMHC 1010
Calgary

- 14 -

- (f) That the Mortgagor will provide to the Mortgagee any and all such consents, undertakings of non-disturbance and other assurances as the Mortgagee in its sole discretion may require from the landlord or lessor under the Lease and any other persons to better secure or protect the Mortgagee's security upon or in respect of the Mortgaged Premises.

32. Assignment of Leases

The Mortgagor will grant, transfer, assign and set over unto the Mortgagee such leases and subleases of the Mortgaged Premises or part thereof as may be entered into from time to time between the Mortgagor as Lessor and a third party or third parties as Lessee, and all rents thereunder and all rights of the Mortgagor therein as may be required by the Mortgagee as further and additional security for payment of all monies payable hereunder; and for that purpose agrees and undertakes, upon request by the Mortgagee, to forthwith execute and complete such grant, transfer and assignment on such terms, conditions and covenants as the Mortgagee may require.

33. Environmental Conditions

The Mortgagor warrants and represents to the Mortgagee that:

- (a) no Hazardous Substances have been or will in the future be used, stored, processed, manufactured, handled or discharged in, on, under or from the Mortgaged Premises except in accordance with the Requirements of Environmental Law and provided that such Hazardous Substances have been disclosed to the Mortgagee in writing;
- (b) neither the Mortgaged Premises nor, to the best of the Mortgagor's belief, any adjacent lands have ever been used as or for a waste disposal site or coal gasification site, and there are not now, nor were there ever, any underground storage tanks on the Mortgaged Premises;
- (c) all permits, licences, certificates, approvals, authorizations, registrations or the like required by the Requirements of Environmental Law for occupancy of or the operation of the business of the Mortgagor on the Mortgaged Premises or of any tenant, subtenant, assignee or other occupant of the Mortgaged Premises, have been obtained and are valid, in full force and effect and in good standing;
- (d) no environmental damage has ever occurred on, or will result from the use of, the Mortgaged Premises by the Mortgagor or any tenant, subtenant, assignee or other occupant of the Mortgaged Premises; and
- (e) there are no convictions (or prosecutions settled prior to conviction) or outstanding or threatened investigations, claims, work orders, notices, directives or other similar remedial actions against the Mortgaged Premises or the Mortgagor in relation to any Requirements of Environmental Law.

34. Environmental Compliance

The Mortgagor will:

- (a) remedy forthwith, at its own expense, any environmental damage that may occur or be discovered on the Mortgaged Premises in the future;
- (b) comply with and monitor, on a regular basis, its compliance and the compliance of any tenant, subtenant, assignee or other occupant of the Mortgaged Premises with all Requirements of Environmental Law;
- (c) notify the Mortgagee promptly of any event or occurrence that has given, or is likely to give, rise to a report, order, inquiry or investigation relating to a matter that may have an adverse effect on the financial position of the Mortgagor or the Mortgaged Premises or any action, suit or proceeding against the Mortgagor or others having an interest in the Mortgaged Premises relating to, or in violation of, the Requirements of Environmental Law, including any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of Hazardous Substances into, on or under the Mortgaged Premises, air and surface and ground water, and will also notify the Mortgagee promptly of any such above-mentioned information of which the Mortgagor has or receives knowledge relating to lands adjacent to the Mortgaged Premises;
- (d) not lease or consent to any sub-lease or assignment of any part of the Mortgaged Premises to a tenant, subtenant or assignee who may engage in, nor permit any tenant, subtenant, assignee or occupant of the Mortgaged Premises to engage in, a business involving the generation of environmental contamination or the storing, handling, processing, manufacturing or disposing of Hazardous Substances in, on, under or from the Mortgaged Premises save and except in accordance with the Requirements of Environmental Law, and any lease, sub-lease, or assignment of any part of the Mortgaged Premises shall preserve as against any lessee, sub-lessee or assignee all of the rights of the Mortgagee herein;
- (e) save and except for those Hazardous Substances which are present on, in or under the Mortgaged Premises in accordance with Requirements of Environmental Law and which have been disclosed to the Mortgagee in writing, remove, in accordance with all Requirements of Environmental Law, any Hazardous Substances from the Mortgaged Premises forthwith upon their discovery and advise the Mortgagee forthwith in writing of the procedures taken; and
- (f) provide to the Mortgagee upon request such information, certificates, or statutory declarations as to compliance with the provisions hereof and all Requirements of Environmental Law and conduct such environmental audits or site assessments as may be reasonably necessary to ensure compliance with the Requirements of Environmental Law.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	16
		1998-10-30

CMHC 1010
Calgary

- 15 -

35. Environmental Indemnity

The Mortgagor will be liable for and fully indemnify the Mortgagee for any and all costs, expenses, damages and liabilities (including without limitation Legal Expenses and any environmental remediation costs incurred by the Mortgagee) directly or indirectly arising out of or attributable to the non-compliance of the Mortgagor or any tenant or occupant in the Mortgaged Premises with the Requirements of Environmental Law and all such costs, expenses, damages or liabilities shall be secured hereby, and all such liability and indemnity shall survive the repayment of the indebtedness, foreclosure upon or sale under the Mortgage, and/or any other extinguishment of the obligations of the Mortgagor under the Mortgage and any other exercise by the Mortgagee of any remedies available to it against the Mortgagor.

36. Protection of Mortgaged Premises

The Mortgagor will not remove or attempt to remove from the Mortgaged Premises any building, structure or improvement forming part of the Mortgaged Premises and the Mortgagor shall refrain from doing anything or allowing anything to be done which would result in an impairment or diminution of the value of the Mortgaged Premises. The Mortgagee may, whenever it deems necessary, enter upon, inspect, and conduct environmental audits on the Mortgaged Premises and review such records and information relating thereto and may require the Mortgagor, at its sole expense, to effect such repair or remediation of which the Mortgagor is notified by the Mortgagee and to effect such action as the Mortgagee may direct to prevent damage to the Mortgaged Premises, or the Mortgagee may effect such repairs, remediation or action as it deems necessary and the Mortgagor shall execute all consents, authorizations and directions that are required to permit any such inspection, review, repair, remediation or action and the costs thereof and of such inspection, review, repair, remediation or action, together with interest thereon at the Interest Rate hereinbefore set out, shall be payable forthwith by the Mortgagor to the Mortgagee and shall be added to the Indebtedness and secured by the Mortgage.

37. Inspections and Reports

The Mortgagor shall permit the Mortgagee to conduct inspections and appraisals of all or any of its records, business and assets at any time or from time to time to monitor compliance with laws and regulations. The Mortgagor will provide to the Mortgagee copies of any environmental reports or studies in respect of the Mortgaged Premises that it receives or possesses from time to time. The Mortgagee or agent of the Mortgagee or agent of CMHC may, at any time, before and after default, and for any purpose deemed necessary by the Mortgagee or CMHC, enter upon the Mortgaged Premises (or any part thereof) to inspect the land and buildings thereon and to monitor the same. Without in any way limiting the generality of the foregoing, the Mortgagee and/or CMHC (or their respective agents) may enter upon the Mortgaged Premises (or any part thereof) to conduct any environmental testing, site assessment, investigation, monitoring or study deemed necessary by the Mortgagee or CMHC and the reasonable cost of such testing, assessment, investigation, monitoring or study, as the case may be, with interest at the Interest Rate, shall be payable by the Mortgagor forthwith and shall be a charge upon the Mortgaged Premises. The exercise of any of the powers enumerated in this clause shall not deem the Mortgagee, CMHC or their respective agents to be in possession, management or control of the Mortgaged Premises or any part thereof.

38. Governing Law

The Mortgage shall be interpreted and governed according to the law of the Province of Alberta, and the Mortgagor attorns to the jurisdiction of Courts of the Province of Alberta in respect of enforcement hereof.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	17
		1998-10-30

CMHC 1010
Edmonton*Land Titles Act*

STANDARD MORTGAGE TERMS

Filed by CANADA MORTGAGE AND HOUSING CORPORATION

Document Filing No.: 982053533
Filing Date: February 24, 1998

The following set of Standard Mortgage Terms shall be deemed to be included in every mortgage in which this set is referred to by its filing number, as provided in Sections 113.1 and 113.2 of the *Land Titles Act* (R.S.A. 1980) Chapter L-5.

	<u>Index</u>	<u>Page</u>
1.	Definitions and Interpretation	2
2.	Mortgage and Charge	4
3.	Interest	4
4.	Payment	4
5.	Timing of Payments	4
6.	Advances and Expenses	5
7.	Compound Interest	5
8.	Application of Payments	5
9.	Covenant to Pay	5
10.	Prepayment Right	5
11.	Construction	5
12.	Payment of Taxes and Other Charges	6
13.	Insurance	8
14.	Improvements	8
15.	Default	8
16.	Non-Merger and Releases	9
17.	Costs and Expenses	9
18.	Subrogation	10
19.	Alterations	10
20.	Currency Payment	10
21.	Discretions	10
22.	Additional Rights	10
23.	Land Act Short Form Covenants	10
24.	Discharge of Mortgage	10
25.	Statutory Basis for Mortgage	10
26.	Due On Sale	11
27.	Tenant Deposits	11
28.	Expropriation	12
29.	Renewal	12

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	18
		1998-10-30

CMHC 1010
Edmonton

- 2 -

30.	Condominium Provisions	12
31.	Leasehold Provisions	13
32.	Assignment of Leases	14
33.	Environmental Conditions	14
34.	Environmental Compliance	14
35.	Environmental Indemnity	15
36.	Protection of Mortgaged Premises	15
37.	Inspections and Reports	15
38.	Governing Law	15

1. Definitions and Interpretation

- (a) Unless there is something in the subject matter or context inconsistent therewith, in this set of Standard Mortgage Terms the following expressions shall have the following meanings:

"Business Day" means a day of the week other than Saturday, Sunday, or any other day which is a statutory or municipal holiday in the municipality where the head office of the Mortgagee and/or municipality where the Mortgaged Premises are situate.

"CMHC" means Canada Mortgage and Housing Corporation, a body corporate created under the *Canada Mortgage and Housing Act*, R.S.C. 1985 c. C-7.

"Condominium Act" means the *Condominium Property Act*, R.S.A. 1980, c. C-22, as amended and/or restated from time to time.

"First Instalment Date" means the first Instalment Date as set out in the Registered Mortgage.

"Indebtedness" means the aggregate of:

- (i) the Principal Amount, and
- (ii) all interest on the Principal Amount and compound interest as provided in the Mortgage, and
- (iii) any amount, cost, charge, expense and interest which has been added to the Indebtedness under the terms of the Mortgage, and
- (iv) any other amount, cost, charge, expense and interest otherwise due and payable to the Mortgagee under or secured by the Mortgage.

"Instalment Date" means a day specified or described in the Registered Mortgage as a day on which instalments are to be paid.

"Interest Adjustment Date" means the Interest Adjustment Date specified or described in the Registered Mortgage.

"Interest Rate" means the rate of interest specified or described and calculated in accordance with the Registered Mortgage.

"Land Act" means the *Land Titles Act*, R.S.A. 1980, c. L5, as amended and/or restated from time to time.

"Land Titles" means the Land Titles Office under the Land Act.

"Legal Expenses" means legal fees and disbursements on a solicitor-and-his-own client, full indemnity, basis.

"Lien Act" means the *Builders Lien Act*, R.S.A. 1980, c. B-12, as amended and/or restated from time to time.

"Maturity Date" means the Maturity Date specified or described in the Registered Mortgage.

"Mortgage" means:

- (i) the Registered Mortgage, together with
- (ii) this Set of Standard Mortgage Terms;

and where the context permits includes any and all renewals, extensions and amendments thereto made in writing from time to time.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	19
		1998-10-30

CMHC 1010
Edmonton

- 3 -

"**Mortgaged Premises**" means the lands described in the Registered Mortgage together with all buildings, structures and improvements built upon or made to the said lands from time to time, all fixtures described herein, and all other appurtenances thereto.

"**Mortgagee**" means the mortgagee as described in the Registered Mortgage and his heirs, executors, administrators, successors and assigns.

"**Mortgagor**" means the mortgagor as described in the Registered Mortgage and his heirs, executors, administrators, successors and assigns.

"**Municipal Act**" means the *Municipal Government Act*, (Alta. 1994) c. M-26.1, as amended and/or restated from time to time.

"**National Housing Act**" means the *National Housing Act*, R.S.C. 1985, c. N-11, as amended and/or restated from time to time.

"**PCB**" means polychlorinated biphenyls.

"**Person**" includes any individual, partnership, joint venture, trust, unincorporated organization or any other association, corporation and government or any department or agency thereof.

"**Principal Amount**" means the amount specified or described in the Registered Mortgage as the principal amount of the Mortgage and where the context permits includes the principal balance remaining unpaid from time to time.

"**Registered Mortgage**" means the mortgage registered at Land Titles which incorporates and adopts this set of Standard Mortgage Terms by referring to the filing number of this set of Standard Mortgage Terms, together with all schedules thereto.

"**Requirements of Environmental Law**" means all requirements of the common law and of statutes, regulations, by-laws, ordinances, treaties, judgments and decrees, and (whether or not they have the force of law) rules, policies, guidelines, orders, approvals, notices, permits, directives and the like, of any federal, territorial, provincial, regional, municipal or local judicial, regulatory or administrative agency, board or governmental authority relating to environmental or health or fire or safety matters (or any of them) and the Mortgaged Premises and the activities carried out thereon (whether in the past, present or the future) including, but not limited to, all such requirements relating to: (i) the protection, preservation or remediation of the natural environment (the air, land, surface water or groundwater); (ii) the generation, handling, treatment, storage, transportation or disposal of or other dealing with solid, gaseous or liquid waste; and (iii) substances or conditions that are prohibited, controlled or otherwise regulated or are otherwise hazardous in fact (collectively "**Hazardous Substances**") such as contaminants, pollutants, toxic, dangerous or hazardous substances, toxic, dangerous or hazardous materials, designated substances, controlled products, including without limitation, wastes, subject wastes, urea formaldehyde foam type of insulation, asbestos or asbestos-containing materials, PCBs or PCB contaminated fluids or equipment, explosives, radioactive substances, petroleum and associated products, underground storage tanks or surface impoundments; and (iv) the securing, protection, preservation and remediation of health, fire and/or safety concerns.

"**Taxes**" means all taxes, rates, assessments, levies, local improvements charges, school taxes, property taxes, liens and penalties, municipal, local, parliamentary or otherwise that are now or may hereafter be imposed, charged or levied upon or with respect to the Mortgaged Premises or any part thereof, and all taxes or charges levied in lieu thereof, and includes (without limitation) where the context permits all municipal utilities and service rates and charges and other charges that may be added to the tax roll for or otherwise howsoever made a charge upon the Mortgaged Premises under the *Municipal Act*.

"**Transfer**" means any sale, transfer, assignment, agreement for sale, conveyance or other disposition of the Mortgaged Premises, in whole or in part, or of any interest therein.

"**Transferee**" means any purchaser, transferee or assignee pursuant to a Transfer.

- (b) In the event that the Mortgaged Premises are or hereafter become registered under the *Condominium Act* or are part of a property that is registered or hereafter becomes registered under the *Condominium Act*, it is agreed that the following additional definitions and provisions shall apply to the Mortgage:

"**Common Expenses**" means the expenses of the performance of the objects and duties of the Condominium Corporation and any expenses specified as common expenses in the Condominium Bylaws, including without limitation reserve fund levies, and any charges or expenses levied upon Units as common expenses as provided for in the Condominium Bylaws.

"**Common Property**" means common property as shown on the Condominium Plan.

"**Condominium Bylaws**" means the bylaws of the Condominium Corporation as amended and/or restated from time to time.

"**Condominium Corporation**" means the corporation created by the registration of the Condominium Plan.

"**Condominium Plan**" means the condominium plan under which the Mortgaged Premises are or hereafter become registered under the *Condominium Act* and includes any subdivision or consolidation of such condominium plan and other amendment of such condominium plan from time to time.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	20
		1998-10-30

CMHC 1010
Edmonton

- 4 -

"Insurance Trustee" means the insurance trustee (if any) appointed pursuant to the Condominium Bylaws.

"Unit" means a condominium unit as shown on the Condominium Plan.

- (c) In the event the Mortgaged Premises are or include, or hereafter become or include, any leasehold estate or estates then it is agreed that the following additional definitions and provisions shall apply to the Mortgage:

"Lease" means the lease or leases that comprise or form part of the Mortgaged Premises, and any and all renewals and extensions thereof.

"Leasehold Estate" means the leasehold interests in land provided for in the Lease.

"Leasehold Obligations" means any and all obligations of the lessee or tenant under and in respect of the Lease.

- (d) Each obligation of the Mortgagor expressed in the Mortgage, even though not expressed as a covenant, is deemed for all purposes to be a covenant made with the Mortgagee.
- (e) In any case where the Mortgage is executed by more than one party all covenants and agreements in the Mortgage contained shall be construed and taken as against such executing parties as joint and several; and the heirs, executors, administrators, successors and assigns of any party executing the Mortgage are jointly and severally bound by the covenants, agreements, stipulations and provisos contained in the Mortgage.
- (f) Words in the Mortgage importing the singular number include the plural and vice versa; and words importing gender include the neuter, feminine and masculine genders.

2. Mortgage and Charge

For the better securing to the Mortgagee of the repayment in the manner set out in the Mortgage of the Principal Amount and interest and all other Indebtedness and obligations of the Mortgagor secured by the Mortgage the Mortgagor hereby mortgages and charges to the Mortgagee all the Mortgagor's estate and interest in the Mortgaged Premises.

3. Interest

The Principal Amount shall bear interest at the Interest Rate both before and after default, demand, maturity and judgment until paid.

4. Payment

The Mortgage shall operate until all Indebtedness is paid in full to the Mortgagee, and all obligations whose performance is secured by the Mortgage are performed, in the manner provided in the Mortgage.

The Mortgagor will pay to the Mortgagee at the address stated in the Registered Mortgage or at such other place in Canada as the Mortgagee may from time to time designate in writing in lawful money of Canada the Principal Amount with interest thereon, or on so much thereof as shall from time to time remain unpaid, at the Interest Rate both before and after default, demand, maturity and judgment, until paid, and computed from the date of the first advance of the principal as follows:

- (a) Interest at the Interest Rate on the amounts from time to time advanced, computed from the respective dates of such advances, shall become due and be paid on the Instalment Date in each month following the date of the first advance to and including the Interest Adjustment Date set out in the Registered Mortgage. At the option of the Mortgagee, interest so due and payable may be deducted from such advances.
- (b) Thereafter the Principal Amount and interest set out in the Registered Mortgage shall become due and be paid in equal monthly instalments on each Instalment Date in each month and in each year from and including the First Instalment Date to and including the Maturity Date; and
- (c) On the Maturity Date the full balance of the Principal Amount and all other Indebtedness under the Mortgage shall become due and be paid.

In the event that the entire Principal Amount shall for any reason not have been advanced before the Interest Adjustment Date, then the Mortgagee may unilaterally amend the Interest Adjustment Date, the First Instalment Date, and the Maturity Date at any time prior to the advance of the full Principal Amount, by notice in writing by ordinary mail to the Mortgagor.

5. Timing of Payments

All payments under the Mortgage shall be made before 12:00 o'clock noon Mountain Time on any day on which payment is to be made. In the event the payment is made on a day that is not a Business Day or is made after 12:00 o'clock noon on a Business Day, any such payment will be deemed to have been made on the next following Business Day.

6. Advances and Expenses

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	21
		1998-10-30

CMHC 1010
Edmonton

- 5 -

All advances are to be made in such manner at such times and in such amounts, up to the Principal Amount, as the Mortgagee in its sole discretion may determine, subject always to the proviso that the Mortgagee is not bound to advance any unadvanced portion thereof. The Mortgagor agrees that neither the preparation, execution nor registration of the Mortgage shall bind the Mortgagee to advance the Principal Amount, nor shall the advance of a part of the Principal Amount bind the Mortgagee to advance the unadvanced portion thereof, but nevertheless the Mortgage shall take effect forthwith upon the execution of the Registered Mortgage by the Mortgagor, and the Mortgagee's Legal Expenses, including without limitation the Legal Expenses of the examination of the title and other costs associated with the Mortgage, together with the Mortgagee's loan processing fees as well as the Mortgagee's costs and expenses incurred in appraising the Mortgaged Premises, assessing the financial status of the Mortgagor and any guarantor of the Mortgage and conducting any other searches and investigations required by the Mortgagee in evaluating the loan secured by the Mortgage and the Mortgaged Premises and securing the Mortgagee's interest in the Mortgaged Premises shall be, in the event of the whole or any balance of the Principal Amount not being advanced, payable forthwith by the Mortgagor to the Mortgagee, and, together with interest thereon at the Interest Rate, shall be added to the Indebtedness and secured by the Mortgage.

7. Compound Interest

All interest on becoming overdue, and any amount, cost, charge or expense that has been added to the Indebtedness under the terms of the Mortgage, shall be treated (as to payment of interest thereon at the Interest Rate) as principal and shall bear compound interest at the Interest Rate, both before and after default, demand, maturity and judgment until paid, and all such interest and compound interest shall be added to the Indebtedness and secured by the Mortgage. If any of the monies secured by the Mortgage are not paid when due, the Mortgagor will, so long as any part thereof remains unpaid, pay interest thereon from day to day. Compounding shall occur every six months on the anniversaries of the Interest Adjustment Date and the anniversaries of the same day of the sixth month following the Interest Adjustment Date.

8. Application of Payments

The instalments set out in the Registered Mortgage are to be applied firstly to interest and secondly to principal repayment except, however, in the case of default by the Mortgagor in which event the Mortgagee may apply any payments received during the period of default to any part of the Indebtedness in whatever order it may elect notwithstanding any contrary stipulation by the Mortgagor.

9. Covenant to Pay

The Mortgagor covenants with the Mortgagee that the Mortgagor will pay the Indebtedness to the Mortgagee as and when provided in the Mortgage without any deduction, set-off, abatement or counterclaim. If more than one Person signs the Mortgage as Mortgagor, such Persons are jointly and severally liable to pay the Indebtedness as aforesaid and to perform and observe all of the Mortgagor's obligations under the Mortgage.

10. Prepayment Right

The Mortgagor, when not in default under the Mortgage, shall have the privilege of paying an additional amount of principal, not in excess of 10 percent of the original Principal Amount, on the first anniversary of the Interest Adjustment Date and a similar amount of principal on the second anniversary of the interest Adjustment Date, upon payment, by way of bonus, of three months' interest on the amount of any such additional payment, it being agreed that such privilege shall not be cumulative.

Provided that on the third anniversary of the Interest Adjustment Date and on any Instalment Date thereafter, the Mortgagor, when not in default under the Mortgage, shall have the privilege of paying the whole amount owing hereunder, or any part thereof, upon payment, by way of bonus, of an additional three months' interest on the additional amount of principal so paid.

Provided, however, that if the Mortgage covers a rental housing project, as defined in the *National Housing Act*, the foregoing additional payment privileges shall not apply, but the Mortgagor, when not in default hereunder, shall have the privilege of paying, on the fifth anniversary of the Interest Adjustment Date, or on any Instalment Date thereafter, the whole amount owing hereunder, upon payment, by way of bonus, of an additional three months' interest on the Principal Amount then outstanding.

Provided that when any partial additional payments are made the payment dates of all remaining instalments shall be accelerated so that the Mortgagor shall pay instalments on each and every Instalment Date, commencing with the Instalment Date immediately following the date on which the additional payment is made and continuing until the earlier of the Maturity Date or the date on which all Indebtedness owing hereunder shall have been fully repaid.

11. Construction

If the Mortgagor is constructing or in future constructs a building or buildings or other improvements on the Mortgaged Premises then the same shall be constructed in accordance with plans and specifications which have been or are hereafter approved by the Mortgagee and will carry on diligently to completion the construction of the said building, buildings or other improvements.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	22
		1998-10-30

CMHC 1010
Edmonton

- 6 -

12. Payment of Taxes and Other Charges

Subject as hereinafter in this paragraph provided, the Mortgagor will pay as and when the same fall due all Taxes, rates, liens, charges, encumbrances or claims which are or may be or become charges or claims against the Mortgaged Premises or on the Mortgage or on the Mortgagee in respect of the Mortgage; provided that in respect of municipal taxes, rates, assessments and levies, property taxes, school taxes and local improvements charges and rates (hereinafter referred to as "Property Taxes") chargeable against the Mortgaged Premises:

- (a) The Mortgagee may deduct from the final advance of money secured by the Mortgage an amount sufficient to pay the Property Taxes which have become or will become due and payable on or before the day preceding the Interest Adjustment Date and are unpaid at the date of such final advance.
- (b) After the Interest Adjustment Date the Mortgagor will pay to the Mortgagee on the Instalment Dates, sums sufficient to enable the Mortgagee to pay the whole amount of Property Taxes on or before the due date for payment thereof or, if payable in instalments, on or before the due date for payment of the first instalment thereof.
- (c) Where the period between the Interest Adjustment Date and the next following annual due date for Property Taxes is less than one year the Mortgagor will pay to the Mortgagee in equal instalments, during such period and during the next succeeding 12-month period, an amount estimated by the Mortgagee to be sufficient to pay, on or before the expiration of the said 12-month period, all Property Taxes which shall become due and payable during the said two periods and during the balance of the year in which the said 12-month period expires; and the Mortgagor will also pay to the Mortgagee on demand the amount, if any, by which the actual Property Taxes exceed such estimated amount.
- (d) Except as provided in the last preceding clause, the Mortgagor shall, on each and every Instalment Date, pay to the Mortgagee a portion of estimated Property Taxes appropriate to secure full payment (as estimated by the Mortgagee in its sole discretion) of the Property Taxes next becoming due and payable; and the Mortgagor shall also pay to the Mortgagee on demand the amount, if any, by which the actual Property Taxes exceed such estimated amount.
- (e) The Mortgagee shall allow the Mortgagor credit for interest at not less than the prevailing rate allowed by Canadian chartered banks on personal savings deposits with chequing privileges, on the minimum monthly balances standing in the mortgage account from time to time to the Mortgagor's credit for payment of Property Taxes, such interest to be credited to the mortgage account not less frequently than once each year; and the Mortgagor shall be charged interest, at the Interest Rate, on the debit balance, if any, of Property Taxes in the Mortgagor's mortgage account outstanding after payment of Property Taxes by the Mortgagee, until such debit balance is fully repaid.

The Mortgagee will apply such deduction and payments on the Property Taxes chargeable against the Mortgaged Premises so long as the Mortgagor is not in default under any covenant, proviso or agreement contained in the Mortgage, but nothing herein contained shall obligate the Mortgagee to apply such payments on account of Property Taxes more often than yearly. Provided, however, that if, before any sum or sums so paid to the Mortgagee shall have been so applied, there shall be default by the Mortgagor in respect of any payment of principal or interest or other Indebtedness as in the Mortgage provided, the Mortgagee may apply such sum or sums in or towards payment of the principal or interest or other Indebtedness in default. The Mortgagor further agrees to transmit to the Mortgagee the assessment notices, tax bills and other notices affecting the imposition of Property Taxes forthwith after the receipt of same by the Mortgagor.

Notwithstanding the foregoing provisions, the Mortgagee may request the Mortgagor to pay the Property Taxes as and when such Property Taxes become due and to submit to the Mortgagee tax receipts evidencing the payment of the Property Taxes within 30 days after they become due.

13. Insurance

- (a) The Mortgagor will forthwith insure and during the continuance of the Mortgage keep insured in favour of the Mortgagee, against loss or damage by fire and, as the Mortgagee may require, insure against loss or damage by tempest, tornado, cyclone, lightning, floods and other risks or hazards, each and every building on or comprising the Mortgaged Premises and which may hereafter be erected thereon, both during erection and thereafter, for the full replacement value thereof in lawful money of Canada with a company approved by the Mortgagee; and the Mortgagor will forthwith assign, transfer and deliver over unto the Mortgagee the policy of insurance and receipts therefor; and if the Mortgagor shall neglect to keep the said buildings or any of them insured as aforesaid, or to deliver such policies and receipts or to produce to the Mortgagee at least fifteen days before the termination of any insurance, evidence of renewal thereof, the Mortgagee shall be entitled but shall not be obligated to insure the said buildings or any of them; and the Mortgagor will forthwith on the happening of any loss or damage, furnish at the Mortgagor's own expense all necessary proofs and do all necessary acts to enable the Mortgagee to obtain payment of the insurance money; and any insurance money received may, at the option of the Mortgagee in its sole discretion, be applied in rebuilding, reinstating or repairing the Mortgaged Premises, or be paid to the Mortgagor or any other person appearing by the registered title to be or to have been the owner of the Mortgaged Premises, or it may be applied in whole or in part on the Indebtedness or any part thereof whether due or not then due, or be applied or paid partly in one way and partly in another.
- (b) Without limiting the foregoing, the Mortgagor shall place and keep in force the following insurance in respect of the Mortgaged Premises and such insurance coverage shall be placed and kept in force with a company or companies satisfactory to the Mortgagee and the Mortgagee shall receive the original policies signed by the Insurer or Insurers or such other evidence of insurance

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	23
		1998-10-30

CMHC 1010
Edmonton

- 7 -

acceptable to the Mortgagee and such policies shall be satisfactory to the Mortgagee in form and content. Where under the insurance policies described below, loss is payable to the Mortgagee, such insurance policies shall show the loss payable to the Mortgagee as first mortgagee. Coverage shall include:

- (i) Fire and extended coverage and malicious damage, including leakage from fire protection equipment on a stated amount replacement cost basis (as per IAO wording) with loss payable to the Mortgagee by way of an IAO approved mortgage clause. Permission should be granted for the improvements to be completed and for the Mortgaged Premises to be vacant or unoccupied for a period of at least thirty (30) days and it shall provide for partial occupancy;

and if the Mortgaged Premises shall be a rental housing project as defined in the *National Housing Act*:

- (ii) Comprehensive broad form boiler insurance including unfired pressure vessels insurance and air-conditioning equipment, if any, including repair and replacement and including Use and Occupancy coverage, for an amount satisfactory to the Mortgagee with loss payable to the Mortgagee by way of a Boiler and Machinery Insurance Association mortgage clause;
- (iii) Comprehensive general liability insurance for bodily injury and/or death and damage to property of others for a minimum amount per occurrence approved by the Mortgagee, written on an inclusive basis; and
- (iv) Rental insurance coverage sufficient to cover 100% of the gross annual rentals from the Mortgaged Premises for a period of twelve (12) months, based on the greater of actual or projected rentals.

In this clause "IAO" means the Insurers' Advisory Organization, an advisory organization established by property insurers carrying on business in Canada.

- (c) If the Mortgaged Premises are or shall in the future be or become a condominium or part of a condominium then the Mortgagor or the condominium corporation or both of them will insure and during the continuance of the Mortgage keep insured the Mortgaged Premises in favour of the Mortgagee against loss for the coverages set out in subparagraphs (a) and (b) hereof and by policies in form and content issued by insurers acceptable to the Mortgagee in its sole discretion.
- (d) The Mortgagor will, and if the Mortgaged Premises are or include condominium properties will cause the Condominium Corporation to, forthwith assign, transfer and deliver to the Mortgagee the policy or policies of insurance and receipts therefor and if the Mortgagor or Condominium Corporation or either of them shall neglect to keep the said buildings or any of them insured as aforesaid, or to deliver such policy or policies, and receipts therefor, or produce to the Mortgagee at least fifteen (15) days before the termination of any insurance, evidence of renewal thereof, the Mortgagee shall be entitled but shall not be obligated to insure the said buildings or any of them; and the Mortgagor or the Condominium Corporation or both of them shall forthwith on the happening of any loss or damage comply fully with the terms of the policy, or policies, of insurance and, without limiting the generality of the obligation of the Mortgagor to observe and perform all the duties and obligations imposed on him by the *Condominium Act* and the Condominium Bylaws of the Condominium Corporation as herein provided, shall comply with the insurance provisions of the *Condominium Act* and the Condominium Bylaws; and the Mortgagor as member of the Condominium Corporation shall seek the full compliance by the Condominium Corporation with the aforementioned requirements.
- (e) All cancellation and alteration clauses in the above-referenced policies, including those contained in the mortgage clause insurance endorsement, are to provide for at least thirty (30) days' prior notice to the Mortgagee of such cancellation or any material alteration. Such policies shall also provide that the Mortgagee is to receive at least thirty (30) days' prior notice of any material alteration of such policy.
- (f) The Mortgagee shall be entitled to require coverage of such other risks and perils as the Mortgagee may from time to time reasonably consider advisable or desirable and in respect of which insurance coverage may be available.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	24
		1998-10-30

CMHC 1010
Edmonton

- 8 -

14. Improvements

All erections and improvements fixed or otherwise now on or hereafter put upon the Mortgaged Premises, including but without limiting the generality of the foregoing, all buildings, fences, heating, plumbing, air-conditioning, ventilating, lighting and water heating equipment, cooking, cleaning, drying and refrigeration equipment, window blinds, storm windows and storm doors, window screens and screen doors, maintenance equipment, security equipment, elevators, and communications equipment; and all apparatus and equipment appurtenant thereto are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the realty and of the security of the Mortgage and are included in the expression "the Mortgaged Premises"; and the Mortgagor will not commit or permit any act of waste thereon; and the Mortgagor will at all times during the continuance of the Mortgage, the same repair, maintain, restore, amend, keep, make good, finish, add to and put in order; and in the event of any loss or damage thereto or destruction thereof the Mortgagee may give notice to the Mortgagor to repair, rebuild, or reinstate the same within a time to be determined by the Mortgagee and to be stated in such notice; and upon the Mortgagor's failure so to repair, rebuild, or reinstate within such time such failure shall constitute a breach of covenant under the Mortgage and thereupon the full balance of the Principal Amount and all other Indebtedness under the Mortgage shall at the option of the Mortgagee become immediately due and payable, without any demand by the Mortgagee upon the Mortgagor.

15. Default

The Mortgagor further agrees that in the event of default under the Mortgage or in any provision thereof or any collateral security, or in the event of bankruptcy, insolvency or winding up of the Mortgagor, or the making of any proposal or companies creditors arrangement under any insolvency or creditors arrangements laws:

- (a) The Mortgagee may send or employ an inspector or agent to inspect and report upon the value, state and condition of the Mortgaged Premises and a solicitor to examine and report upon the title to the same;
- (b) The Mortgagee or agent of the Mortgagee may enter into possession of the Mortgaged Premises and whether in or out of possession collect the rents and profits thereof, and make any demise or lease of the Mortgaged Premises, or any part thereof, for such terms and periods and at such rents as the Mortgagee shall think proper; and the powers of sale and foreclosure hereunder may be exercised either before or after and subject to any such demise or lease;
- (c) The Mortgagee or agent of the Mortgagee may at such time or times as the Mortgagee may deem necessary and without the concurrence of any person, enter upon the Mortgaged Premises and may make such arrangements for completing the construction of, repairing or putting in order any buildings or other improvements on the Mortgaged Premises, or for inspecting or taking care of the Mortgaged Premises as the Mortgagee may deem expedient;
- (d) It shall and may be lawful for and the Mortgagor does hereby grant full power, right and licence to the Mortgagee to enter, seize and distrain upon the Mortgaged Premises, or any part thereof, and by distress warrant to recover by way of rent reserved as in the case of demise of the Mortgaged Premises, as much of the Indebtedness as shall from time to time be or remain in arrears and unpaid, together with all costs, charges and expenses attending such levy or distress, as in like cases of distress for rent;
- (e) The Mortgagee may sell and dispose of the Mortgaged Premises with or without entering into possession of the same, whether by sale to a third party or by sale to the Mortgagee, or may foreclose upon the Mortgaged Premises, and with or without notice to the Mortgagor or any party interested in the Mortgaged Premises;
- (f) All remedies may be resorted to;
- (g) All the rights, powers and privileges granted to or conferred upon the Mortgagee under and by virtue of any statute or by the Mortgage may be exercised;
- (h) Any notice may be effectually given by leaving the same with an adult person on the Mortgaged Premises if occupied, or by placing the same thereon, or on any part thereof, if unoccupied, or at the option of the Mortgagee by publishing the same in some newspaper published in the Province of Alberta; and such notice shall be sufficient though not otherwise addressed than "To whom it may concern"; and no want of notice or publication or any other defect, impropriety or irregularity shall invalidate any sale made or purporting to be made of the Mortgaged Premises under the Mortgage;
- (i) The Mortgagee may sell, transfer and convey any part of the Mortgaged Premises on such terms as to credit or part cash and part credit, secured by contract or agreement for sale or mortgage, or otherwise, as shall appear to the Mortgagee most advantageous and for such prices as can reasonably be obtained therefor; and in the event of a sale on credit or for part cash and part credit, whether by way of contract for sale or by conveyance or transfer and mortgage, the Mortgagee is not to be accountable for or charged with any money until the same shall be actually received in cash; and sales may be made from time to time of parts of the Mortgaged Premises to satisfy interest or parts of the principal overdue, leaving the principal or parts thereof to run with interest payable as aforesaid; and the Mortgagee may make stipulations as to title or evidences or commencement of title or otherwise as the Mortgagee shall deem proper, and may buy in or rescind or vary any contract for sale; and on any sale or resale, the Mortgagee shall not be answerable for loss occasioned thereby; and for any of such purposes the Mortgagee may make and execute all agreements and assurances that the Mortgagee shall deem advisable or necessary;
- (j) The whole of the Principal Amount remaining and all interest and other Indebtedness shall, at the option of the Mortgagee, become immediately due and payable;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	25
		1998-10-30

CMHC 1010
Edmonton

- 9 -

- (k) The Mortgagee may, in writing, appoint any person or persons, whether an officer or officers, or employee or employees of the Mortgagee, or not, to be a receiver or receivers of the Mortgaged Premises and the rents and profits derived therefrom, and may remove any receiver or receivers so appointed and appoint another or others in his or their stead. The term "receiver" as used in the Mortgage shall include a receiver, a manager, or a receiver and manager. The following provisions shall apply to this subparagraph:
- (i) A receiver or receivers so appointed are conclusively the agent or agents of the Mortgagor and the Mortgagor shall be solely responsible for the acts or defaults and for the remuneration and expenses of the receiver or receivers. The Mortgagee shall not be in any way responsible for any misconduct or negligence on the part of any receiver or receivers and may, from time to time, fix the remuneration of every receiver or receivers and be at liberty to direct the payment thereof from the proceeds collected.
 - (ii) Nothing contained in the Mortgage and nothing done by the Mortgagee or by a receiver or receivers shall render the Mortgagee a Mortgagee in possession or responsible as such.
 - (iii) All monies received by the receiver or receivers, after providing for payment and charges ranking prior to the Mortgage and for all costs, charges and expenses of or incidental to the exercise of any of the powers of the receiver or receivers as hereinafter set forth, may be applied in or towards satisfaction of the monies owing pursuant to the Mortgage.
 - (iv) The receiver or receivers so appointed shall have power to:
 - a. take possession of, collect and get in the property, rents and profits, charged by the Mortgage and any additional or collateral security granted by the Mortgagor to the Mortgagee and for that purpose to take any proceedings, be they legal or otherwise, in the name of the Mortgagor or otherwise;
 - b. to carry on or concur in carrying on any business which the Mortgagor is conducting on and from the Mortgaged Premises; and
 - c. lease or re-lease all or any portion of the Mortgaged Premises and for this purpose to execute contracts in the name of the Mortgagor which said contracts shall be binding upon the Mortgagor.

The rights and powers conferred by this subparagraph (k) are supplemental to and not in substitution for any other rights which the Mortgagee may have from time to time.

16. Non-Merger and Releases

The Mortgagor also agrees that the taking of a judgment on any of the covenants or agreements contained in the Mortgage shall not operate as a merger thereof; the Mortgagee may at all times release any part or parts of the Mortgaged Premises or any other security or any surety for payment of all or any part of the money secured by the Mortgage or may release the Mortgagor or any other person from any covenant or other liability to pay the Indebtedness or any part thereof, either with or without any consideration therefor, and without being accountable for the value thereof or for any money except those actually received by the Mortgagee, and without thereby releasing any part of the Mortgaged Premises, or any other securities or covenants in the Mortgage contained; it being specifically agreed that notwithstanding any such release the Mortgaged Premises, securities and covenants remaining unreleased shall stand charged with the whole of the Indebtedness secured by the Mortgage; no extension of time given by the Mortgagee to the Mortgagor, or anyone claiming under or through the Mortgagor, shall in any way affect or prejudice the rights of the Mortgagee against the Mortgagor or any other person liable for payment of the Indebtedness hereby secured.

17. Costs and Expenses

All Legal Expenses and all Inspector's, valuator's and surveyor's fees and expenses for drawing and registering the Mortgage and for examining the Mortgaged Premises and the title thereto, and for making or maintaining the Mortgage a first charge on the Mortgaged Premises, together with all sums which the Mortgagee may and does from time to time advance, expend or incur under the Mortgage as principal, insurance premiums, Taxes or rates, or in or toward payment of prior liens, charges, encumbrances or claims charged or to be charged against the Mortgaged Premises or on the Mortgage or on the Mortgagee in respect of the Mortgage or the Mortgaged Premises, and in maintaining, repairing, restoring or completing the Mortgaged Premises, and in inspecting, leasing, managing, or improving the Mortgaged Premises, including the price or value of any goods of any sort or description supplied to be used on the Mortgaged Premises, and in exercising or enforcing or attempting to enforce or in pursuance of any right, power, remedy or purpose under the Mortgage or subsisting, and Legal Expenses, and an allowance for the time, work and expenses of the Mortgagee, or of any agent, solicitor or employee of the Mortgagee, or any purpose herein provided for and whether such sums are advanced or incurred with the knowledge, consent, concurrence or acquiescence of the Mortgagor or otherwise, are to be secured hereby and shall be a charge on the Mortgaged Premises, together with interest thereon at the Interest Rate, and all such moneys shall be repayable to the Mortgagee on demand, or if not demanded then with the next ensuing instalment, except as herein otherwise provided, and all such sums together with interest thereon are included in the expression "the Indebtedness".

18. Subrogation

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	26
		1998-10-30

CMHC 1010
Edmonton

- 10 -

In the event of the Principal Amount or any portion thereof or any other monies advanced under the Mortgage, or any part thereof, being applied to the payment of any charge or encumbrance including without limitation Taxes, the Mortgagee shall be subrogated to all the rights of and stand in the position of and be entitled to all the equities of the party so paid off, whether such charge or encumbrance has or has not been discharged; and the decision of the Mortgagee as to the validity or amount of any advance or disbursement made under the Mortgage or of any claim so paid off shall be final and binding on the Mortgagor; the Mortgagee shall not be charged with any money receivable or collectible out of the Mortgaged Premises or otherwise, except those actually received; and all revenue of the Mortgaged Premises received or collected by the Mortgagee from any source other than payment by the Mortgagor may at the option of the Mortgagee be used in maintaining or insuring or improving the Mortgaged Premises, or in payment of Taxes or other charges against the Mortgaged Premises, or otherwise applied against the Indebtedness in such manner as the Mortgagee deems appropriate.

19. Alterations

The Mortgagor shall not make, or permit to be made, any alterations or additions to the Mortgaged Premises without the consent of the Mortgagee; and the Mortgagor shall not use the Mortgaged Premises or permit them to be used for any purpose of any business, trade or manufacture of any description; the Mortgagee or agent of the Mortgagee or agent of CMHC may, at any time, enter upon the Mortgaged Premises to inspect the lands and buildings thereon.

20. Currency Payment

All money whether principal, interest or other moneys payable to the Mortgagee under the terms of the Mortgage shall be payable in lawful money of Canada to the Mortgagee, at its address stated in the Registered Mortgage or such other place as may be designated by the Mortgagee.

21. Discretions

Any discretion, option, decision or opinion hereunder on the part of the Mortgagee shall be sufficiently exercised or formed if exercised or formed by or subsequently ratified by the manager, acting manager or assistant manager of any branch office of the Mortgagee in the Province of Alberta or an executive officer of the Mortgagee or any officer or agent appointed by the Mortgagee for such purpose.

22. Additional Rights

The covenants, agreements, stipulations and provisos in the Mortgage stated shall be in addition to those granted or implied by statute.

23. Land Act Short Form Covenants

The Mortgagor further agrees with the Mortgagee that the Mortgagor:

- (a) has a good title to the Mortgaged Premises,
- (b) has the right to mortgage the Mortgaged Premises,
- (c) will execute such further assurances of the Mortgaged Premises as may be requisite,
- (d) has done no act to encumber the Mortgaged Premises, and
- (e) on default the Mortgagee shall have quiet possession of the Mortgaged Premises, free from all encumbrances.

24. Discharge of Mortgage

The Mortgagee shall have a reasonable time after payment of the Indebtedness in full within which to prepare and execute a discharge of the Mortgage; and interest shall continue to run and accrue until actual payment in full has been received by the Mortgagee; and all Legal Expenses and other expenses for the preparation and execution of such discharge shall be borne by the Mortgagor.

25. Statutory Basis for Mortgage

The Mortgage is made pursuant to the *Land Act* and the *National Housing Act*.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	27
		1998-10-30

CMHC 1010
Edmonton

- 11 -

26. Due On Sale

- (a) In the event of a Transfer of the Mortgaged Premises, in whole or in part, or of any interests therein to a Transferee, if
- (i) the Mortgagor fails to apply for the approval of the Mortgagee as to the Transferee and the terms and conditions of the Transfer,
 - (ii) the Mortgagee does not approve the Transferee,
 - (iii) the Mortgagee does not approve the terms and conditions of the Transfer, or
 - (iv) the Transferee fails to enter into an assumption agreement agreeing to assume the Mortgage and any amendments thereto, and any collateral agreements and to pay the amount thereby secured and perform every covenant, condition and obligation contained in the Mortgage and any amendments thereto, and any collateral agreements, to be performed by the Mortgagor thereunder (including this obligation) at the time and in the manner and in all respects as therein contained and to be bound by each and all of the terms, covenants, conditions and obligations of the Mortgage and any amendments thereof, then, and in any such case, the outstanding principal balance of the Mortgage shall, at the option of the Mortgagee, immediately become due and payable together with all accrued interest and other monies owing thereunder.
- (b) Any transfer or issue by sale, assignment, bequest, inheritance, operation of law or other disposition, or by issue from time to time of all or any part of the corporate shares of the Mortgagor to any person or group of persons resulting in a change in the control of the Mortgagor shall be deemed to be a Transfer within the meaning of the Mortgage and the Transferee shall be deemed to be the party or parties who acquire the said shares and the provisions in respect of any Transfer and any Transferee (except for the requirement for the Transferee to enter into an assumption agreement) shall apply mutatis mutandis thereto. The Mortgagor and any Transferee shall make available to the Mortgagee, or its representatives, all of their respective books and records, including without limitation corporate records for inspection in order to ascertain whether a Transfer has occurred or has been deemed to have occurred.
- (c) Acceptance by the Mortgagee of payments made by any Transferee shall not be or be deemed to be approval or acceptance of the Transferee.
- (d) In the event that the Mortgagor or any person acts in such a way as to invoke any provision now existing or hereafter enacted under any applicable condominium or strata title legislation or regulations, and amendments thereto, respecting prepayment, in whole or in part, of any monies secured under the Mortgage, then such action shall be deemed to be a Transfer and the provisions of this Paragraph 26 shall apply to such action.
- (e) The Mortgagee shall be entitled to charge a servicing fee to process each request for approval, as herein contemplated, which fee shall be payable by the Mortgagor in advance.
- (f) No Transfer or consent to Transfer or assumption of the Mortgage or completion of an assumption agreement by any Transferee shall in any way release or otherwise affect the personal covenants or obligations of the Mortgagor herein named or any guarantor or other surety of the Mortgage or any intervening Transferee or other person liable for payment of the indebtedness.
- (g) The Mortgagor will not register or cause to be registered any subdivision plan, condominium plan or strata space plan in respect of the Mortgaged Premises or any part thereof without the Mortgagee's consent, which consent may be arbitrarily withheld; and any consent given may be on such terms and conditions and subject to such requirements as the Mortgagee in the Mortgagee's sole discretion may require.

27. Tenant Deposits

If the Mortgaged Premises shall be rented out or let for rent, in whole or in part, then the Mortgagor will observe and perform any and all requirements of laws in respect of the handling of tenant damage deposits and security deposits. If the Mortgagor shall fail to observe, perform or pay any obligations or liabilities in respect of the damage deposits and security deposits or other deposits received from tenants in respect of the Mortgaged Premises under any applicable laws, statutes or regulations, then the Mortgagee at its sole option may (but shall not be obligated to) observe, perform or pay the same and all costs and expenses of so doing shall be reimbursed to the Mortgagee by the Mortgagor forthwith and shall bear interest at the Interest Rate (calculated from the date incurred) and shall be a charge upon the Mortgaged Premises. Further, the Mortgagor agrees that at the sole option of the Mortgagee, the Mortgagee may require the Mortgagor to provide to the Mortgagee and maintain, for additional security to the Mortgagee in the event of default hereunder, a letter of credit, bond or other assurances or security on terms and in form and content determined by the Mortgagee (acting reasonably) securing performance of all tenant damage deposit obligations arising in respect of the Mortgaged Premises from time to time.

CMHC MORTGAGE LOAN INSURANCE

Section PROVINCIAL MORTGAGE CHARGES	Subject Alberta - Standard Mortgage Terms (Edmonton)	Page 28 1998-10-30
---	--	------------------------------

CMHC 1010
Edmonton

- 12 -

28. Expropriation

If the Mortgaged Premises or any material part thereof shall be expropriated by any government authority, body or corporation having powers of expropriation, the indebtedness shall, at the Mortgagee's option, forthwith become due and payable, together with interest thereon at the Interest Rate to the date of payment and together with a bonus equal to a sum of three months' interest at the Interest Rate, calculated on the amount of Indebtedness consisting of the Principal Amount. Further and without limiting any of the foregoing, in the event that any portion of the Mortgaged Premises shall be purchased, acquired by agreement or otherwise taken for any public work whatsoever pursuant to the *Municipal Act* or the *Public Works Act of Alberta* or any other statute or regulation, then and in such event

- (a) any and all consideration or compensation whatsoever payable to the Mortgagor or anyone claiming an interest under or through the Mortgagor shall be payable to and shall be paid to the Mortgagee and the same are hereby assigned irrevocably to the Mortgagee accordingly, and further any such compensation paid to or to the order of or received by the Mortgagor shall be and be deemed to be held in trust for the Mortgagee; and
- (b) at the Mortgagee's sole option the amount of the principal hereby secured remaining unpaid shall forthwith become due and payable, together with interest thereon at the Interest Rate to the date of payment and together with a bonus equal to a sum of three months' interest at the Interest Rate, calculated on the amount of principal so remaining unpaid.

29. Renewal

In the event that the Mortgagee shall agree to renew or extend the term of the Mortgage, such renewal or extension (the "Renewal") (and rate of interest, term, instalment and other stipulations for such Renewal) shall be binding upon the Mortgagor, his heirs, executors, administrators, successors and assigns, and his successors in title, and all subsequent mortgages, encumbrances and other interests in or of the Mortgaged Premises subsequent to the Mortgage (together hereinafter called "Subsequent Encumbrances"). Further, the Renewal shall take full priority over all Subsequent Encumbrances, whether or not the Renewal is filed or recorded by caveat at Land Titles and whether or not the rate of interest payable or payment amortization period or instalment amount or frequency applicable during the Renewal term is greater than or less than the rate or amortization or instalments stipulated in the Registered Mortgage. The Mortgagor shall, forthwith on request therefor by the Mortgagee, provide to the Mortgagee, at the Mortgagor's expense, all such postponements and other assurances as the Mortgagee may require to ensure the foregoing binding effect and priority. All Renewals (if any) shall be done at the Mortgagor's expense (including without limitation payment of Mortgagee's Legal Expenses). No Renewal even if made by a successor in title to or assignee of the Mortgagor named herein and whether or not the Mortgagor or any intervening Transferee shall consent thereto, shall in any way release or abrogate or render unenforceable the covenants or obligations of the Mortgagor named herein or of any intervening Transferee which shall continue notwithstanding such Renewal and shall apply to the Mortgage as renewed or extended.

30. Condominium Provisions

In the event that the Mortgaged Premises shall now or at any time hereafter comprise or include a Unit or Units in a condominium created pursuant to the *Condominium Act* and/or the Common Property interests related to such Unit or Units, then in such event:

- (a) The Mortgagor will observe and perform each and every one of the covenants, duties, obligations and provisions required to be observed under or pursuant to the terms of the Mortgage, the *Condominium Act*, and any legislation passed in substitution therefor, and the By-laws of the Condominium Corporation of which the Mortgagor is a member by virtue of the Mortgagor's ownership of the Condominium Units charged by the Mortgage;
- (b) Without limiting the generality of the foregoing subparagraph (a), the Mortgagor will pay promptly when due any and all Common Expense levies, charges, assessments, instalments or payments made, assessed or levied by the Condominium Corporation or any authorized agent on its behalf, and any and all other contributions to the common costs of the condominium and any and all other charges or levies by the Condominium Corporation, payable in respect of, or charged to the owner of, the Mortgaged Premises (all of which said levies, assessments, charges, costs and payments are hereinafter referred to as "unit charges");
- (c) If and whenever the Mortgagor defaults in the Mortgagor's obligations to pay unit charges or breaches any other covenants, obligations, duties requirements or provisions referred to in subparagraph (a) hereof then, regardless of any other action or proceeding taken or to be taken by the Condominium Corporation, such default or breach shall be and constitute a default under the terms of the Mortgage and the Mortgagee may exercise all or any of its rights and/or remedies hereunder as for any other default under the Mortgage;

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	29
		1998-10-30

CMHC 1010
Edmonton

- 13 -

- (d) Without limiting any other remedy which the Mortgagee may have under the Mortgage, in the event that the Mortgagor is in default in the observance or performance of any of the provisions or requirements of the *Condominium Act* or the By-laws or in the payment of unit charges, and if such default is susceptible of being cured by the Mortgagee, the Mortgagee may at its option (but it shall not be obligated to) cure such default and otherwise perform the obligations or part thereof on behalf of the Mortgagor and for that purpose may enter upon and occupy the Mortgaged Premises (and no such entry or occupation shall constitute or be deemed to be an entry into possession by the Mortgagee or render the Mortgagee a Mortgagee in possession) and all costs, charges and expenses incurred by the Mortgagee or other person appointed for such purposes as determined by the Mortgagee, together with interest on all such sums at the Interest Rate until paid, shall be due and payable by the Mortgagor to the Mortgagee forthwith on demand and until paid shall be a charge upon the Mortgaged Premises, and secured by the Mortgage. No such right of payment or performance by the Mortgagee shall prevent it from exercising its option to cause the whole indebtedness to become due and payable upon the Mortgagor's default or failure, or to exercise any of the other rights or remedies of the Mortgagee under the Mortgage.
- (e) The Mortgagee is hereby irrevocably authorized and empowered to exercise the right of the Mortgagor as an owner of the Unit or Units included in the Mortgaged Premises to vote or to consent or to not vote or to refuse to consent in all matters relating to the affairs of the Condominium Corporation without in any way consulting the Mortgagor in the manner in which the vote shall be exercised or not exercised and without incurring any liability to the owner or anyone else because of the manner in which such vote or right to consent in the affairs of the Condominium Corporation was exercised or not exercised and provided that if the Mortgagee fails to attend meetings of the Corporation of which it has received proper notice in person or by proxy then in the Mortgagee's absence the Mortgagor shall have the right to vote on all matters properly before the meeting. The Mortgagor will provide to the Mortgagee on request such proxies and/or other instruments as the Mortgagee may require to facilitate the Mortgagee's exercise of the right to vote. Further, the exercise of the right to vote by the Mortgagee shall not constitute the Mortgagee a mortgagee in possession. The Mortgagee shall be free to exercise its own judgment and act in its own interest in exercising its right to vote and shall have no duty or obligation to vote on any matter to protect or benefit the interest of the Mortgagor.
- (f) The existence of a Condominium Plan in respect of the Mortgaged Premises shall not in any way whatsoever fractionalize, or partition responsibility between condominium Units under the Mortgage or any of the terms or conditions thereof; and the Mortgage shall continue to operate as full security for the full amount of all moneys payable under the Mortgage on each and every Unit (and on all Units) and on all Common Property within or forming part of Mortgaged Premises; and without limiting the generality of the foregoing, neither the Mortgagor nor any successor or assign of the Mortgagor shall be entitled to any partial break-out or discharge of the Mortgage as to any Unit or Units or Common Property.
- (g) The Mortgagor covenants with the Mortgagee to deliver to the Mortgagee in person or by prepaid registered mail, a copy of the following:
- (i) every request or claim for the consent of the Mortgagor affecting the Unit or Common Property of the condominium which copy is to be received by the Mortgagee within 5 days from the date such request or claim is received or made by the Mortgagor, and
 - (ii) any information known to the Mortgagor concerning the termination of any management agreement or insurance trust agreement in respect of the condominium, or any proposal or application to terminate the condominium status of the Mortgaged Premises, which information is to be delivered immediately upon the Mortgagor learning of such information;
- (h) the Mortgagor hereby assigns to the Mortgagee the proceeds of all insurance that may be otherwise payable to the Mortgagor by the Insurance Trustee or the Condominium Corporation or the Condominium Corporation's insurers.

31. Leasehold Provisions

If the Mortgaged Premises are or include, or hereafter comprise or include, a Leasehold Estate, the Mortgagor further covenants and agrees as follows:

- (a) That all necessary consents to the grant of the Mortgage have been validly and properly obtained and the Mortgage validly mortgages and charges the Leasehold Estate;
- (b) That the Mortgagor will well and truly observe and perform all Leasehold Obligations as and whenever due and in strict compliance with the requirements of the Lease; and will at all times keep and retain the Lease in full force and effect;
- (c) That the Mortgagor will not surrender, cancel or amend the Lease in any way without the prior written consent of the Mortgagee;
- (d) That if the Mortgagor shall be in default of any Leasehold Obligations the Mortgagee may, but shall not be obligated to, pay or perform all or any of such Leasehold Obligations and any and all costs, expenses, payments and outlays made or incurred by or on behalf of the Mortgagee in so doing, including without limitation Legal Expenses, shall, together with interest thereon calculated from the date incurred at the Interest Rate, forthwith be re-paid to the Mortgagee and shall be a charge upon the Mortgaged Premises;
- (e) That nothing herein or in exercise by the Mortgagee of any rights or remedies under the Mortgage shall in any way render the Mortgagee liable or responsible for any Leasehold Obligations; and

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	30
		1998-10-30

CMHC 1010
Edmonton

- 14 -

- (f) That the Mortgagor will provide to the Mortgagee any and all such consents, undertakings of non-disturbance and other assurances as the Mortgagee in its sole discretion may require from the landlord or lessor under the Lease and any other persons to better secure or protect the Mortgagee's security upon or in respect of the Mortgaged Premises.

32. Assignment of Leases

The Mortgagor will grant, transfer, assign and set over unto the Mortgagee such leases and subleases of the Mortgaged Premises or part thereof as may be entered into from time to time between the Mortgagor as Lessor and a third party or third parties as Lessee, and all rents thereunder and all rights of the Mortgagor therein as may be required by the Mortgagee as further and additional security for payment of all monies payable hereunder; and for that purpose agrees and undertakes, upon request by the Mortgagee, to forthwith execute and complete such grant, transfer and assignment on such terms, conditions and covenants as the Mortgagee may require.

33. Environmental Conditions

The Mortgagor warrants and represents to the Mortgagee that:

- (a) no Hazardous Substances have been or will in the future be used, stored, processed, manufactured, handled or discharged in, on, under or from the Mortgaged Premises except in accordance with the Requirements of Environmental Law and provided that such Hazardous Substances have been disclosed to the Mortgagee in writing;
- (b) neither the Mortgaged Premises nor, to the best of the Mortgagor's belief, any adjacent lands have ever been used as or for a waste disposal site or coal gasification site, and there are not now, nor were there ever, any underground storage tanks on the Mortgaged Premises;
- (c) all permits, licences, certificates, approvals, authorizations, registrations or the like required by the Requirements of Environmental Law for occupancy of or the operation of the business of the Mortgagor on the Mortgaged Premises or of any tenant, subtenant, assignee or other occupant of the Mortgaged Premises, have been obtained and are valid, in full force and effect and in good standing;
- (d) no environmental damage has ever occurred on, or will result from the use of, the Mortgaged Premises by the Mortgagor or any tenant, subtenant, assignee or other occupant of the Mortgaged Premises; and
- (e) there are no convictions (or prosecutions settled prior to conviction) or outstanding or threatened investigations, claims, work orders, notices, directives or other similar remedial actions against the Mortgaged Premises or the Mortgagor in relation to any Requirements of Environmental Law.

34. Environmental Compliance

The Mortgagor will:

- (a) remedy forthwith, at its own expense, any environmental damage that may occur or be discovered on the Mortgaged Premises in the future;
- (b) comply with and monitor, on a regular basis, its compliance and the compliance of any tenant, subtenant, assignee or other occupant of the Mortgaged Premises with all Requirements of Environmental Law;
- (c) notify the Mortgagee promptly of any event or occurrence that has given, or is likely to give, rise to a report, order, inquiry or investigation relating to a matter that may have an adverse effect on the financial position of the Mortgagor or the Mortgaged Premises or any action, suit or proceeding against the Mortgagor or others having an interest in the Mortgaged Premises relating to, or in violation of, the Requirements of Environmental Law, including any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration of Hazardous Substances into, on or under the Mortgaged Premises, air and surface and ground water, and will also notify the Mortgagee promptly of any such above-mentioned information of which the Mortgagor has or receives knowledge relating to lands adjacent to the Mortgaged Premises;
- (d) not lease or consent to any sub-lease or assignment of any part of the Mortgaged Premises to a tenant, subtenant or assignee who may engage in, nor permit any tenant, subtenant, assignee or occupant of the Mortgaged Premises to engage in, a business involving the generation of environmental contamination or the storing, handling, processing, manufacturing or disposing of Hazardous Substances in, on, under or from the Mortgaged Premises save and except in accordance with the Requirements of Environmental Law, and any lease, sub-lease, or assignment of any part of the Mortgaged Premises shall preserve as against any lessee, sub-lessee or assignee all of the rights of the Mortgagee herein;
- (e) save and except for those Hazardous Substances which are present on, in or under the Mortgaged Premises in accordance with Requirements of Environmental Law and which have been disclosed to the Mortgagee in writing, remove, in accordance with all Requirements of Environmental Law, any Hazardous Substances from the Mortgaged Premises forthwith upon their discovery and advise the Mortgagee forthwith in writing of the procedures taken; and
- (f) provide to the Mortgagee upon request such information, certificates, or statutory declarations as to compliance with the provisions hereof and all Requirements of Environmental Law and conduct such environmental audits or site assessments as may be reasonably necessary to ensure compliance with the Requirements of Environmental Law.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
PROVINCIAL MORTGAGE CHARGES	Alberta - Standard Mortgage Terms (Edmonton)	31
		1998-10-30

CMHC 1010
Edmonton

- 15 -

35. Environmental Indemnity

The Mortgagor will be liable for and fully indemnify the Mortgagee for any and all costs, expenses, damages and liabilities (including without limitation Legal Expenses and any environmental remediation costs incurred by the Mortgagee) directly or indirectly arising out of or attributable to the non-compliance of the Mortgagor or any tenant or occupant in the Mortgaged Premises with the Requirements of Environmental Law and all such costs, expenses, damages or liabilities shall be secured hereby, and all such liability and indemnity shall survive the repayment of the indebtedness, foreclosure upon or sale under the Mortgage, and/or any other extinguishment of the obligations of the Mortgagor under the Mortgage and any other exercise by the Mortgagee of any remedies available to it against the Mortgagor.

36. Protection of Mortgaged Premises

The Mortgagor will not remove or attempt to remove from the Mortgaged Premises any building, structure or improvement forming part of the Mortgaged Premises and the Mortgagor shall refrain from doing anything or allowing anything to be done which would result in an impairment or diminution of the value of the Mortgaged Premises. The Mortgagee may, whenever it deems necessary, enter upon, inspect, and conduct environmental audits on the Mortgaged Premises and review such records and information relating thereto and may require the Mortgagor, at its sole expense, to effect such repair or remediation of which the Mortgagor is notified by the Mortgagee and to effect such action as the Mortgagee may direct to prevent damage to the Mortgaged Premises, or the Mortgagee may effect such repairs, remediation or action as it deems necessary and the Mortgagor shall execute all consents, authorizations and directions that are required to permit any such inspection, review, repair, remediation or action and the costs thereof and of such inspection, review, repair, remediation or action, together with interest thereon at the Interest Rate hereinbefore set out, shall be payable forthwith by the Mortgagor to the Mortgagee and shall be added to the Indebtedness and secured by the Mortgage.

37. Inspections and Reports

The Mortgagor shall permit the Mortgagee to conduct inspections and appraisals of all or any of its records, business and assets at any time or from time to time to monitor compliance with laws and regulations. The Mortgagor will provide to the Mortgagee copies of any environmental reports or studies in respect of the Mortgaged Premises that it receives or possesses from time to time. The Mortgagee or agent of the Mortgagee or agent of CMHC may, at any time, before and after default, and for any purpose deemed necessary by the Mortgagee or CMHC, enter upon the Mortgaged Premises (or any part thereof) to inspect the land and buildings thereon and to monitor the same. Without in any way limiting the generality of the foregoing, the Mortgagee and/or CMHC (or their respective agents) may enter upon the Mortgaged Premises (or any part thereof) to conduct any environmental testing, site assessment, investigation, monitoring or study deemed necessary by the Mortgagee or CMHC and the reasonable cost of such testing, assessment, investigation, monitoring or study, as the case may be, with interest at the Interest Rate, shall be payable by the Mortgagor forthwith and shall be a charge upon the Mortgaged Premises. The exercise of any of the powers enumerated in this clause shall not deem the Mortgagee, CMHC or their respective agents to be in possession, management or control of the Mortgaged Premises or any part thereof.

38. Governing Law

The Mortgage shall be interpreted and governed according to the law of the Province of Alberta, and the Mortgagor attorns to the jurisdiction of Courts of the Province of Alberta in respect of enforcement hereof.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPROVED LENDERS' MORTGAGE DOCUMENTS	Mandatory Homeowner Mortgage Clauses	1
		1998-10-30

The following are mandatory clauses for homeowner mortgage loans insured under the National Housing Act. Approved Lenders may provide their own wording if, in the opinion of the Approved Lender, it meets the same objective.

Amendment of any Approved Lender's mortgage document is the responsibility of the Approved Lender. CMHC will not review and or approve any amended Approved Lender's mortgage document.

Approved Lenders need to take into consideration, and amend their documents for conditions and clauses that CMHC may require from time to time. Approved Lenders will be notified via an Advice to Approved Lenders of any changes to this policy.

1. Prepayments

(a) Provided that the mortgagor when not in default hereunder shall have the privilege of paying an amount of principal, not in excess of 10% of the original amount of this mortgage, on the first anniversary of the Interest Adjustment Date, and a similar amount of principal on the second anniversary of the Interest Adjustment Date, upon payment, by way of bonus of three months interest on the amount of any such additional payment, it being agreed that such privilege shall not be cumulative.

(b) Provided that on the third anniversary of the Interest Adjustment Date and on any monthly instalment date thereafter, the mortgagor, when not in default hereunder, shall have the privilege of paying the whole amount hereunder, or any part thereof, upon payment by way of bonus of three months interest on the principal amount of any such payment.

(c) Provided that when any additional partial payments are made the amount thereof shall be equal to the sum of the principal portions of a number of consecutive monthly instalments which would otherwise become due hereunder next following the date upon which such additional payment is made, and the payment dates of all remaining instalments and the balance owing hereunder shall be accelerated so that the mortgagor shall pay the aforesaid monthly instalment in each and every month, commencing with the month immediately following the month in which the additional payment is made and continuing until all monies owing hereunder shall have been fully repaid.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPROVED LENDERS' MORTGAGE DOCUMENTS	Mandatory Homeowner Mortgage Clauses	2
		1998-10-30

2. Insurance

2.1 The mortgagor (including his heirs, executors, administrators, successors or assigns) shall, during the continuance of the mortgage, at its sole cost and expense, take out and keep in full force and effect, insurance in an amount of not less than one hundred percent (100%) of the full replacement cost thereof, with coverage against, at least the perils of fire, and standard extended coverage, on each and every building on the mortgaged premises and which may hereafter be erected thereon, both during erection and thereafter. Each policy of insurance shall provide that loss, if any, shall be payable to the mortgagee as its interest may appear and shall contain the standard mortgage clause approved by the mortgagee. The mortgagor agrees that certificates of insurance or, if required by the mortgagee, certified copies of each such insurance policy, will be delivered to the mortgagee as soon as practicable after the placing of the required insurance. All such policies shall contain an undertaking by the insurers to notify the mortgagee in writing, not less than fifteen (15) days prior to any material change, cancellation, failure to renew, or termination thereof. If the mortgagor fails to take out or to keep in force any such insurance, or should any such insurance not be approved by the mortgagee, and should the mortgagor not rectify the situation within (specify time allowed) after written notice by the mortgagee to the mortgagor, the mortgagee has the right, without assuming any obligation in connection therewith, to effect such insurance at the sole cost and expense of the mortgagor. If the mortgagee is obligated to pay any premiums or sums of money for insurance for the premises or any part thereof, the amount of such payment shall be added to the debt secured by the mortgage and shall bear interest at the same rate applicable to principal as set out in the mortgage from the time of such payments and shall be payable at the time appointed for the next ensuing paying of interest on the said debt. On the happening of any loss or damage, the mortgagor shall furnish at his own expense all necessary proofs and do all necessary acts to enable the mortgagee to obtain payment of the insurance moneys and the production of the mortgage shall be sufficient authority for the said insurance company to pay any such loss to the mortgagee. Any insurance moneys received may, at the option of the mortgagee, be applied in rebuilding, reinstating or repairing the mortgaged premises or be paid to the mortgagor or any other person appearing by the registered title to be or to have been the owner of the mortgaged premises or be applied or paid partly in one way and partly in another, or it may be applied, in the sole discretion of the mortgagee, in whole or in part on the mortgage debt or any part thereof whether due or not then due.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPROVED LENDERS' MORTGAGE DOCUMENTS	Mandatory Homeowner Mortgage Clauses	3
		1998-10-30

2. Insurance (cont'd)

2.2 If the mortgaged premises are part of a Condominium Corporation, the insurance provision set out in paragraph 2.1 above will not apply. Rather, the following will apply to the mortgage:

The mortgagor (including his heirs, executors, administrators, successors or assigns) or the Condominium Corporation or both shall, and during the continuance of the mortgage, at its sole cost and expense, take out and keep in full force and effect, insurance in an amount of not less than one hundred percent (100%) of the full replacement cost thereof, with coverage against, at least the perils of fire, and standard extended coverage on each and every building on the mortgaged premises and which may hereafter be erected thereon, both during erection and thereafter. Each policy of insurance shall provide that loss, if any, shall be payable to the mortgagee as its interest may appear and shall contain the standard mortgage clause approved by the mortgagee. The mortgagor and Condominium Corporation will assign transfer and deliver to the mortgagee, certificates of insurance or, if required by the mortgagee, certified copies of each such insurance policy, as soon as practicable after the placing of the required insurance. All such policies shall contain an undertaking by the insurers to notify the mortgagee in writing not less than fifteen (15) days prior to any material change, cancellation, failure to renew, or termination thereof. If the mortgagor fails to take out or to keep in force any such insurance, or should any such insurance not be approved by the mortgagee, and should the mortgagor not rectify the situation within (specify time allowed) after written notice by the mortgagee to the mortgagor, the mortgagee has the right, without assuming any obligation in connection therewith, to effect such insurance at the sole cost and expense of the mortgagor. If the mortgagee is obligated to pay any premiums or sums of money for insurance for the premises or any part thereof the amount of such payment shall be added to the debt secured by the mortgage and shall bear interest at the same rate applicable to principal as set out in the mortgage from the time of such payments and shall be payable at the time appointed for the next ensuing paying of interest on the said debt. On the happening of any loss or damage, the mortgagor or the Condominium Corporation or both shall comply fully with the terms of the policy, or policies, of insurance and without limiting the generality of the obligation of the mortgagor to observe and perform all the duties and obligations imposed on him by the Condominium Act and the Declaration and By-laws of the Condominium Corporation as hereinafter provided, shall comply with the insurance provisions of the Declaration; and the mortgagor as a member of the Condominium Corporation shall seek the full compliance by the Condominium Corporation of the aforementioned covenants.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPROVED LENDERS' MORTGAGE DOCUMENTS	Mandatory Homeowner Mortgage Clauses	4
		1998-10-30

3. Inspection

The mortgagee or agent of the mortgagee or agent of Canada Mortgage and Housing Corporation (hereinafter called "CMHC"), may, at any time, before and after default, and for any purpose deemed necessary by the mortgagee or CMHC, enter upon the said lands to inspect the lands and buildings thereon. Without in any way limiting the generality of the foregoing, the mortgagee or CMHC (or their respective agents) may enter upon the said lands to conduct any environmental testing, site assessment, investigation or study deemed necessary by the mortgagee or CMHC and the reasonable cost of such testing, assessment, investigation or study, as the case may be, with interest at the mortgage rate, shall be payable by the mortgagor forthwith and shall be a mortgage upon the said lands. The exercise of any of the powers enumerated in this clause shall not deem the mortgagee, CMHC or their respective agents to be in possession, management or control of the said lands and buildings.

4. Mortgage Pursuant to the NHA

This mortgage is made pursuant to the National Housing Act.

5. Definition of Interest Adjustment Date

The definition of the Interest Adjustment Date (IAD) as mentioned in Section 36 (1) of the National Housing Loan Regulations will apply to all NHA insured loans.

Refer to II 0304-09 for CMHC policy on IAD.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
GST AND NHA MORTGAGE LOAN INSURANCE	Homeownership Loan Insurance	1
		1992-11-02

GST HOUSING REBATE
AS EQUITY

The GST has been designed so that it will not pose a barrier to the affordability of housing in Canada. Therefore, a partial rebate of the GST is available to purchasers of newly constructed primary residences, or to existing units that have been substantially renovated.

For purposes of NHA insurance, CMHC has a minimum equity requirement of 10% of lending value that must be provided from a borrower's own resources. The GST rebate may not form any part of this requirement.

It is anticipated that in the majority of purchaser/builder transactions, the builder will simply deduct the amount of the rebate from the GST owed by the purchaser at the time of sale. For owner-occupied structures containing more than one unit, Revenue Canada advises that the rebate is to be calculated on the owner-occupied unit only.

CMHC INSURANCE FEES
AND PREMIUMS

Under the NHA Mortgage Loan Insurance Program, a borrower who takes out a mortgage from an NHA Approved Lender typically pays an application fee and a premium which are remitted to CMHC. The fee and premium paid to CMHC for a mortgage loan insurance application are considered to be a tax exempt supply under the GST.

MARKET VALUE AND THE
GST

Market value is an all inclusive concept. Government taxes and levies have always been, and will continue to be, recognized to the extent that they constitute part of the market value of a property.

SWEAT EQUITY

CMHC normally permits a borrower to provide up to 50% of the minimum equity requirement in the form of labour. For GST purposes, sweat equity is tax exempt.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
GST AND NHA MORTGAGE LOAN INSURANCE	Homeownership Loan Insurance	2
		1992-11-02

CLOSING COSTS

The typical ancillary services involved in the purchase of a home, such as legal, appraisal, survey, and real estate commissions will also be subject to GST. The Approved Lender and borrower should be aware of these additional costs when calculating funds required for closing of the transaction.

LEASED LAND

Contingent upon the land being used, or intended for use, as a place of residence or lodging by individuals for a period longer than one month, rents charged on leased land will be considered as tax exempt for purposes of the GST.

RENTAL LOAN
INSURANCE - NEW
AND EXISTING

CMHC will recognize only the amount of the GST on a project that is supported by current market evidence. CMHC Debt Coverage Ratio policies remain unchanged.

RENTAL LOAN
INSURANCE - INVESTOR
UNITS/PROJECTS

Investors are not eligible for GST rebates on any units or projects. CMHC insured loan amounts will continue to be based on the market value of the units/projects.

CLAIM SETTLEMENTS

In the event of a claim on the Mortgage Insurance Fund, borrower charges including the GST will be recognized where applicable. Some examples include legal fees, repairs to the property, sales commissions on deficiency sales, heating, and maintenance charges.

CMHC UNDERWRITING
COURSE

The Corporation offers an underwriting course, and the fees for the course will be subject to the GST.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
GST AND NHA MORTGAGE LOAN INSURANCE	Homeownership Loan Insurance	3
		1992-11-02

MAXIMUM INSURABLE
LOAN AMOUNTS

For mortgage insurance purposes, CMHC uses the lending value of a property to determine the maximum insurable loan amount available. The maximum insurable loan amount is defined as 90% of the first \$180,000 of the lending value and 80% of the remainder. The lending value is defined as the lesser of the purchase price or the market value (or cost of construction including land for homeowner built units). Market value is an all inclusive concept. Government taxes and levies have always and will continue to be recognized by CMHC to the extent that they constitute part of the market value of a property.

The introduction of the GST will not change the methods used to derive lending values. However, it is essential that the Underwriter must be able to determine what the purchase price represents--if it includes or excludes GST. If the purchase price includes, or makes no reference to, the GST, then the Underwriter will compare the purchase price to the market value (as determined by an appraisal) and apply the lending value definition.

If the purchase price specifically excludes GST, then, for underwriting purposes, the Net GST (GST less GST rebate) must be calculated and added to the purchase price prior to determining the lending value.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
GST AND NHA MORTGAGE LOAN INSURANCE	Homeownership Loan Insurance	4
		1992-11-02

CALCULATION OF NET
GST

To obtain the amount of Net GST, the amount of the GST rebate must be deducted from the total amount of GST. There are two formulas used to determine the amount of GST rebate, depending on the purchase price.

1) For purchase price of less than \$350,000, the rebate is 36% of the GST up to a maximum of \$8,750.

2) For purchase price ranging from \$350,000 up to \$450,000, the rebate is calculated using this sliding scale formula:

$$\text{Rebate} = \$8,750 \times \frac{\$450,000 - \text{Purchase Price}}{\$100,000}$$

Therefore, the Net GST is equal to the full amount of the GST less the rebate.

FEDERAL SALES TAX
REBATE

To eliminate the effect of double taxation, new primary residences are eligible for an FST rebate, if construction commenced in 1990, and possession is transferred between 1 January and 30 June 1991. This is in addition to the GST rebate.

If possession is transferred between 1 January and 31 March, 1991 inclusive, the rebate equals 2/3 of the estimated FST. If possession is transferred between 1 April and 30 June, 1991 inclusive, the rebate equals 1/3 of the estimated FST. After 30 June 1991, no FST rebate is available.

The amount of Federal Sales Tax can be estimated by using either of the following methods:

Method 1: 4.25% of the purchase price;
Method 2: \$50 per square metre of floor area.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
GST AND NHA MORTGAGE LOAN INSURANCE	Homeownership Loan Insurance	5
		1992-11-02

FEDERAL SALES
TAX REBATE
(CONT'D)

The amount of the rebate is either 2/3 or 1/3 of the estimated FST, depending on the date of transfer of possession, as mentioned above.

The FST rebate may not be used to satisfy CMHC's minimum equity requirement of 10% from the borrower's own resources. In cases where the FST rebate is remitted to the purchaser, the amount of the rebate must be deducted from the purchase price before the lending value is determined.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Real Estate/Appraisal Association Selection Criteria	1
		1997-03-20

GENERAL

The CMHC appraisal designation policy permits Approved Lenders to select real estate appraisers to complete assignments, in support of applications for NHA mortgage loan insurance.

CMHC has developed guidelines and criteria for use by the Approved Lender to ensure that the appraisal report provides value-related information and meets basic qualitative needs.

These criteria are provided to assist Approved Lenders in their:

- . review of individual associations which grant appraisal accreditations; and
- . selection of an individual to complete a valuation assignment.

ASSOCIATION SELECTION CRITERIA

Approved Lenders may select any appropriately qualified appraiser who, in the lending institution's opinion, can complete an objective and realistic property valuation.

These association selection criteria have been developed to assist the Approved Lender to determine if the association or institute, from which the appraiser is an accredited member, has the professional training and supportive capabilities to train individuals to complete appraisal assignments.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Real Estate/Appraisal Association Selection Criteria	2
		1997-03-20

- a) Training - the association has a mandatory formal training curriculum which includes:
- . studies in real estate appraisal theories and practices for the completion of the various approaches to value and the reconciliation process to arrive at a substantiated and credible value estimate;
 - . the study of basic building construction characteristics to familiarize the member with the structural components of various real estate products;
 - . the study of the principles of economics, and their related effects in the real estate market;
 - . the study of real estate law; and
 - . studies in ethics and professional business practice.

This training curriculum shall include some type of proficiency review, in which member candidates demonstrate their ability in developing and explaining the application of appraisal analysis in support of a substantiated and credible value estimate.

- b) Professionalism - the association must have a system of ethics and/or professional practice to which each member must adhere in their dealing with clients and when preparing the appraisal assignments.

The association shall also have the ability to investigate enquiries regarding the professional performance and ethical conduct of their members, and report the findings to the individual or organization which initiated the enquiries, and to institute appropriate disciplinary measures on members who have not performed according to their association's professional performance criteria and/or ethical standards.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	1
		1997-03-20

GENERAL

The following criteria are provided to assist Approved Lenders in their review of the work product of the appraiser to ensure that the appraisal report meets established parameters for the purposes of NHA mortgage loan insurance applications.

As CMHC's policy permits Approved Lenders to submit appraisal reports on all residential properties, the following criteria separately identifies requirements relating to properties containing up to **four (4)** units, and other multiple unit projects which contain **five (5)** or more units.

There may be situations in which the Approved Lender employs, on a regular or full-time and salaried basis, individuals who complete appraisals on a regular basis, similar to full-time fee appraisers, but who do not currently hold any recognized professional appraisal designation. In such circumstances, the Approved Lender may utilize the services of these staff members to prepare property valuations for transmittal to CMHC on properties containing up to **four (4)** units. However, the Approved Lender must be assured that these performance criteria have been adequately addressed by the individual who completed the valuation report.

These criteria are provided not as a basis upon which to review the individual who has completed the valuation, but rather a review of the process which leads to the **final value conclusion**.

APPRAISAL REPORT FORMAT

CMHC will accept appraisal reports from Approved Lenders in a variety of formats for properties containing up to **four (4)** units.

The report may be prepared using any industry standard format as determined by those associations meeting the "Association Selection Criteria" previously described.

There may be situations where the format generally utilized does not include all the information CMHC requires. In these situations, the appraiser should attach the information necessary to address the minimum content CMHC requires.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	2
		1997-03-20

GENERAL REQUIREMENTS

Every appraisal is to include:

- . a complete subject property address;
- . identification of the "Highest and Best Use of the Subject Property;
- . the land tenure upon which the value estimate is based;
- . the effective date of appraisal and the date of inspection;
- . the signature of the appraiser with professional designation indicated.

MARKET CONDITIONS

A brief description of the state of current local real estate market conditions, indicating if it is stable, declining, improving or volatile.

It is appropriate for the appraiser to indicate typical listing periods for properties such as the subject and any anomalies peculiar to the market under review.

1. FOR PROPERTIES CONTAINING UP TO FOUR (4) UNITS

a) Performance Criteria

INTERNAL/EXTERNAL INSPECTION

As a matter of acceptable appraisal practice, a property which is the subject of an appraisal assignment must be inspected internally and externally.

The "Date of Inspection" is a critical component of the appraisal report. It should be clearly stated within the report. Typically the date of the inspection and the "Effective Date of Appraisal" will coincide. It may differ, but a substantial time spread between the two should be explained.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	3
		1997-03-20

1. FOR PROPERTIES CONTAINING UP TO **FOUR (4)** UNITS (cont'd)

a) Performance Criteria (cont'd)

The intent of this inspection is to familiarize the appraiser with the condition of the subject property, **and** its structural integrity.

The appraiser should note any structural or deferred maintenance problems which may impact CMHC's underwriting of the mortgage loan insurance, or jeopardize the security of the asset.

The appraiser will utilize the observations from the inspection of the subject property to assess it in comparison to other comparative properties used in the valuation process.

It is a matter of professional practice that the individual, who completed the inspection of the property, is also the individual who has completed the appraisal of the subject property.

ADEQUATE DESCRIPTION OF SUBJECT AND ITS NEIGHBOURHOOD

The appraisal **must** contain a brief description of the subject property.

Items to be identified include the house age and style, its size in sq. meters, number of rooms, and bedrooms, the number of bathrooms, and any other items which the appraiser believes will impact the value estimate or necessary to accurately describe the property, in comparison to others in the neighbourhood.

The appraisal report should also include a description of the subject neighbourhood and relevant surrounding areas. This includes typical residence styles in the area, and an outline of local services **and** amenities such as schools and public transportation **and** recreational facilities.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	4
		1997-03-20

SELECTION OF COMPARABLE SALES

As per acceptable appraisal practice, the sales data used in the analysis should reflect arm's length transactions.

APPLICATION OF A REALISTIC SALES ANALYSIS TECHNIQUE

It is expected that the Approved Lender will review the analysis of the comparable sales data, utilized within the report, for the purpose of determining that acceptable appraisal methodology has been applied in the process.

When reviewing a report, the Approved Lender should be convinced that the analytical approach and data used is appropriate for the property under review. For example, if the subject property is a bungalow, the appraiser has used recent sales of bungalows in his/her analysis and has not used two storey executive homes as comparable sales data.

APPLICATION OF A COST ESTIMATING TECHNIQUE (OPTIONAL)

There may be some instances when the appraiser is requested, or has completed at his/her own initiative, a cost estimate of the property. Such instances may include new homes or existing homes which are unique to the neighbourhood.

While the completion of this process is considered optional by CMHC, if used, it must reflect a logical assessment of relevant costing data prudently applied to the known attributes of the subject property. The process followed must be in accordance with acceptable appraisal practice applied in a professionally convincing manner.

RECONCILIATION PROCESS TO PRODUCE A FINAL ESTIMATE OF VALUE

Once the appraiser has presented the relevant information as previously noted, the Approved Lender is to ensure that the assignment indicates that the information has been reviewed in a logical manner, and that the information supports the individual's final opinion of value. The report should contain sufficient information to convince the reader that the appraiser is familiar with the subject property in the context of the local neighbourhood, and has sufficient knowledge of the valuation process to be able to reasonably estimate the current market value.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	5
		1997-03-20

OBJECTIVITY OF VALUE ESTIMATION PROCESS - DECLARED CONFLICT OF INTEREST

The Approved Lender is to ensure that the property valuation process has been completed without undue **or prejudicial** influences.

The appraiser is not to personally gain from the value estimate which he/she places on the property, either directly or indirectly.

There may be situations in which the appraiser is employed by a company which is somehow involved in the listing, sale, or mortgage placement of the subject property. In these situations, the appraiser may prepare the property valuation as long as he/she satisfies the previously noted criteria, and he/she indicates in the appraisal the extent of his/her conflict of interest, and declares that his/her involvement has not influenced his/her objective opinion of the property's value.

ADDRESS THE MINIMUM CONTENT REQUIREMENT FOR APPRAISAL REPORTS

Appraisal reports may be prepared using any industry standard format as determined by those associations meeting the "Association Selection Criteria" previously described, provided the minimum content criteria of this policy are met.

The Approved Lender is to ensure that the appraisal report contains the minimum content requirements in conformity with acceptable appraisal standards.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	6
		1997-03-20

a) Narrative or Form Appraisal

Typical headings and inclusions in a narrative or form appraisal will include:

- definition of value;
- identification of property;
- tenure of ownership;
- an effective date within 30 days of the transmittal of the report to CMHC;
- summary of market conditions and value trends relative to the property being appraised;
- a brief description of the neighbourhood and surroundings;
- an indication of the property's highest and best use;
- brief property description including built-ins/chattels including the conditions of short-lived items that may soon require repair and replacement;
- assessment and taxes;
- comment on marketability;
- estimated value of the property using the sales comparison approach, including a brief description of comparable sales, financing, and a table of adjustments. A minimum of three sales of comparable properties is to be used in this approach.
- estimate of value using the cost approach if structure is new, or in a rural area where there is a lack of credible sale data (optional);
- estimated market value of the property;
- photographs of the subject property;
- map showing location of subject and comparables;
- condominium unit - where possible, the appraiser is to utilize current arm's length comparables within the same project in order to minimize the adjustments.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	7
		1997-03-20

2. PROPERTIES CONTAINING **FIVE (5)** OR MORE UNITS

Market norms regarding the content and format for narrative appraisals for residential properties containing **five** or more units do not vary substantially from one region to another. Recent changes to CMHC policy regarding appraisals will now permit Approved Lenders to submit appraisal reports to CMHC in support of applications for NHA mortgage loan insurance.

Given these established norms within the marketplace and CMHC requirements regarding minimum acceptable appraisal designations, the following minimum content requirements suffice to address qualitative issues regarding valuations on multiple properties.

a) Minimum Content Requirement:

. the purpose of the appraisal

to estimate the current market value of the subject property as at the date of appraisal; and

to provide any additional advice to assist Approved Lenders and CMHC in their decision-making process, relative to the nature of the transaction under consideration.

. Definition of Market Value and Property Rights being appraised

Market value is defined as the most probable selling price that the property is likely to realize on sale, considering current market conditions, financing terms, and the most probable purchaser.

The appraisal will generally relate to the "as is" condition of the property. In the case of multiple unit properties, this would consider the current income stream and expenses, together with short-term prospects for changes and required urgent repairs, in establishing the stabilized net income estimate.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	8
		1997-03-20

An "as improved" value and cost estimate should also be provided where completion/improvement of a property will result in a value increase greater than the associated cost. However, the appraiser should discuss this issue with the client prior to completing this section of the appraisal.

. the effective date of the appraisal

Usually the date of property inspection unless otherwise specified by the client.

Note: For new construction income producing properties, two value estimates are required:

- one assuming the construction is complete and the property is occupied as at the date of the appraisal (current date); and
- one as at the date the property will actually be completed and occupied.

. identification of the property

- address, legal description, project name

. site description

- size, suitability, topography, access, traffic volumes, annoyance factors

. zoning and permitted uses

- easements and/or restrictions on title

. land tenure

. highest and best use analysis

- alternate property uses which increase the value should be discussed before finalizing the appraisal. Where the property being appraised includes excess severable land, a separate land appraisal should be completed on the extra land, based on its highest and best use.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	9
		1997-03-20

- . neighbourhood description
- . state of the market
 - general economic climate, market conditions and value trends
- . assessment and property taxes
 - review in comparison to other similar properties to determine if an assessment appeal is warranted, including recommendation. Summarize recommendation in letter of transmittal.
- . brief description of improvements
 - building type, unit breakdown, amenities, condition, deferred maintenance, etc.:
 - relevant site data;
 - building type;
 - structure and exterior finish;
 - accommodation breakdown and size in square meters;
 - total building size;
 - major mechanical and electrical components;
 - quality of project relative to the norm for market;
 - any physical or functional deficiencies having an effect on the value estimate;
 - significant notes on building condition with particular emphasis on times for which reserves are established;
 - photographs to show the subject property and any unusual factors the appraiser considers important;
 - **zoning and permitted uses;**
 - **easements and/or restrictions on title; and**
 - **assessment of property management practices as they affect project operation**
- . Cost Approach:
 - cost of improvements/completion with associated depreciation, if applicable; and
 - vacant land value as of date of appraisal.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	10
		1997-03-20

. Income Approach:

- review of current and historical rents and vacancies (include current rent roll);
- schedule of comparable properties used to establish current market rentals;
- vacancy and collection loss based on a stabilized net income stream;
- operating expense estimate considering the property's operating expense history and experience in other similar properties;
- basis for mortgage equity and market capitalization rates; and
- indicated value by income approach on an "as is" and/or "as improved" basis.

NOTE: If the appraiser selects to utilize the Discounted Cash Flow technique in the valuation process, CMHC would prefer that this income analysis be supplemented with one of the other techniques, as previously outlined.

. Direct Sales Comparison Approach:

- schedule of market sale comparables;
- indicated units of comparison and basis for adjustments; and
- indicated value by direct sales comparison approach

. Reconciliation and Final Estimate of Value:

- estimate of market value as of date of appraisal

. Additional Value Estimates: (Optional)

- provide separate estimate of probable sale price considering sales incentives

. Certification

that the property has been inspected and the date the inspection was completed

. Signature

of the appraiser(s) together with his or her professional designation/accreditation initials

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	11
		1997-03-20

Additional Considerations

a) - Condominium Projects

Multiple unit projects which are registered with condominium or strata titles, or which have the potential for conversion, should be evaluated to determine whether the value of the project, based on sale of the individual units, is greater than the rental value.

This analysis may not always be required, particularly in markets where there is a consensus of opinion that no opportunity exists in the near future to market the project as a condominium.

The following strategies are to be considered:

- . sale of individual units over a projected marketing period;
- . sale of the individual units to a single purchaser who will resell the units; or
- . sale of the project on a rental basis, assuming typical marketing terms and conditions.

b) - Appraisal of Properties on Leasehold Land

Market value estimates for properties on leasehold land are to be provided on a freehold as well as a leasehold basis. Where the amount of the option price to acquire the freehold interest is unknown, the appraiser is to provide a separate estimate of the market value of the lessor's interest in the land.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
APPRAISAL DESIGNATION POLICY	Appraisal Product Performance Criteria	12
		1997-03-20

Additional Considerations (cont'd)

In completing a Direct Sales Comparison Approach of a property on leasehold land, the appraiser should compare the property to sales of other comparable properties also located on leasehold land. Where this is not possible, the property value should be estimated on a freehold basis and the market value of the lessor's interest in the land deducted to arrive at a value estimate.

Multiple unit rental projects on leasehold land should also be appraised, using the Income Approach to value.

Land lease payments on rental projects can usually be treated as operating expenses in the Income Approach, and the net income capitalized into a value estimate for the project on a leasehold basis. No deduction from income is required where lease payments have been prepaid (prepaid ground rent). The appraiser may wish to adjust the overall capitalization rate upward (derived from freehold sales) in order to consider the impact of the leasehold interest.

Where lease provisions do not correspond to typical market terms, the appraiser must discuss and reflect the impact of the lease terms on the market value of the property. This will usually require separate valuation of both the lessor's and lessee's interests.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
95% FINANCING	CMHC Mortgage Loan Insurance	1
		1998-09-11

INTRODUCTION

This program, introduced in 1992, was originally entitled "First Home Loan Insurance". Because 95% Financing is now available to all homebuyers, the name has been changed.

SCOPE

Except as stated herein, normal CMHC underwriting policies apply.

ELIGIBLE BORROWER

"95% Financing" refers to all homeowner loans with a loan-to-value ratio greater than 90%, up to and including 95%. Anyone who buys or builds a home in Canada and intends to occupy it as his/her principal residence may be eligible, subject to the financial criteria described below.

EQUITY

A minimum of five (5) per cent of the value of the property must be provided from the borrower's own resources. See II 0102-02 for description of acceptable types of equity, including gift downpayments.

GDS AND TDS RATIOS

The maximum Gross Debt Service (GDS) ratio (including heat) is 32%. The maximum Total Debt Service (TDS) ratio is 40%.

Note: The total insured loan amount, including the mortgage insurance premium is to be used for GDS and TDS calculation purposes (except where the premium is paid up front).

ELIGIBLE UNIT TYPES

95% Financing may be used to finance the purchase, or purchase and improvement, or construction and purchase, of one residential unit. The unit may be any type, including a single detached house, a semi-detached or row house, a condominium unit (including a condominium apartment) or a manufactured home. The purchase price must meet the "Maximum House Price" criteria described below.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
95 % FINANCING	CMHC Mortgage Loan Insurance	2
		1998-09-11

ELIGIBLE UNIT
TYPES (cont'd)

95% Financing may be used to purchase a building which contains two units (e.g. a duplex), as long as one of the units will be owner-occupied. Only one of the two units is eligible for financing of up to 95% of lending value. Maximum financing for the second unit is 90% of lending value. Both units will be considered of equal value for lending purposes. The entire building may therefore be financed up to a ratio of 92.5% of the lending value.

See 0403-03 for additional underwriting policies on duplexes.

A **95%** loan may NOT be used to purchase a triplex or rooming house or any other building that contains more than two housing units, even if the owner will be occupying one of the units.

MAXIMUM HOUSE
PRICE

To be eligible for **95% Financing**, the purchase price of the subject property must not exceed the applicable price ceiling for the community in which the home is located. There are three price ceilings : \$250,000, \$175,000, and \$125,000.

The \$250,000 price ceiling applies only to:
 Greater Toronto, Ont. Greater Vancouver, B.C.
 Calgary, Alta. Greater Victoria, B.C.
 Canmore, Alta. Shawinigan Lake, B.C.
 Banff, Alta. Mill Bay, B.C.

The \$175,000 price ceiling applies to most other major centres in Canada, as well as all of the Yukon, all of the Northwest Territories, all of the Territory of Nunavet, and all of Labrador. The \$175,000 price ceiling also applies to Northern Quebec, large sections of southern Ontario, and all of Alberta, except for Alberta communities mentioned above to which the \$250,000 ceiling applies.

CMHC MORTGAGE LOAN INSURANCE

Section 95% FINANCING	Subject CMHC Mortgage Loan Insurance	Page 3 1998-09-11
---------------------------------	---	-----------------------------

MAXIMUM HOUSE
PRICE (cont'd)

All other areas of Canada have a \$125,000 price ceiling.

CMHC offices have more exact descriptions of the boundaries within which the different price ceilings apply. Price ceilings are reviewed regularly and are subject to change. Please contact the applicable CMHC Office to obtain current price ceiling information for a particular community.

LOAN PARTICULARS

Maximum amount - Up to 95% of the lending value.

- Up to 92.5% of the lending value of an owner-occupied two-unit building.

Minimum term - Initial loan term, 3 years.

Qualifying interest rate - 5 year term posted interest rate.

- For 5 year term mortgages or longer, the actual contract interest rate may be used.

Amortization period - 25 years.

Repayment - Equal Payment Mortgage or Capped Variable Rate Mortgage.

CMHC MORTGAGE LOAN INSURANCE

Section 95% FINANCING	Subject CMHC Mortgage Loan Insurance	Page 4 1998-09-11
---------------------------------	---	-------------------------

LOAN PARTICULARS
(cont'd)Mortgage Loan Insurance Premium

	<u>Single Advance</u>	<u>More than One Advance</u>
Loan-to-value ratio greater than 90% and up to and including 95%	3.75%	4.25%

Premium may be added to loan amount.

Underwriting Fee: **Same as for homeowner loans up to and including 90% loan-to-value.**

Basic and Full processing are available.

INSURANCE INITIATION

II 9905-02

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
95% FINANCING	Other Insurance Products	1
		1998-09-11

SECOND MORTGAGE
INSURANCE

Second mortgage insurance is not available where the total of the first and second mortgages exceeds 90% of the lending value

CHATTEL LOAN
INSURANCE

Chattel Loan Insurance is also available up to 95%. Unit eligibility is to be determined as per the CMHC Chattel Loan Insurance Program.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SINGLE RESOURCE INDUSTRY COMMUNITY	Chapter Overview	1
		1998-09-11

GENERAL

NHA mortgage loan insurance is typically available in all parts of Canada to assist borrowers in obtaining high ratio mortgage financing.

This chapter provides detailed information on one of the very few situations where NHA mortgage loan insurance is not being made available, because the housing needs can be related directly to a resource company's business initiative. The application of the policy on Single Resource Industry Community (SRIC), which restricts mortgage loan insurance, is based on very specific occurrences called triggers.

Where one or several triggers are identified, CMHC will do a comprehensive review of the community, and will look at six defined characteristics.

Where the result of the review indicates that there would be excess risk exposure to the Mortgage Insurance Fund, and where the risks are indeterminable or insupportable by marketable premium levels, NHA mortgage loan insurance will not be available to company-related housing, unless some form of risk sharing is put in place between the provinces, the resource companies, and CMHC.

NHA mortgage loan insurance will be available in resource-based communities for market housing (other than company-related), in accordance with normal NHA procedures and established rates.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SINGLE RESOURCE INDUSTRY COMMUNITY	Policy	1
		1998-09-11

INTRODUCTION

CMHC has regularly restricted mortgage loan insurance in resource-based communities, on the basis that housing requirements resulting from resource company's business initiatives, should remain the liability of that business.

In 1987, the Federal Government announced a new policy for NHA mortgage loan insurance. The direction was that borrowers in all parts of Canada should have equal access to public mortgage loan insurance, with the exception of situations where the risks to the Mortgage Insurance Fund (MIF) were indeterminable, or insupportable by marketable premium levels.

In response, CMHC developed a methodology to identify "Special Risk Communities", which was based on a system of triggers and economic characteristics. The "Special Risk Community Lending Policy" was thus implemented in 1987.

In 1992, the "Special Risk Community Lending Policy" was renamed the "Single Resource Industry Community Policy", and a mechanism, which allowed for a special risk charge under certain circumstances, was added.

DESIGNATION OF
COMMUNITY

Where an appropriate trigger is identified, and where a resource-based community meets some or all of the economic characteristics, the community will be designated as a single resource industry community.

AVAILABILITY OF
NHA MORTGAGE LOAN
INSURANCE

NHA mortgage loan insurance will be available to company-related housing, only if suitable risk sharing arrangements are negotiated. Suitable risk sharing arrangements may include company guarantees, special risk charges in addition to premiums, and tripartite risk sharing agreements.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SINGLE RESOURCE INDUSTRY COMMUNITY	Policy	2
		1998-09-11

TRIGGERS

Triggers are events that take place in typically smaller communities, and are detected through monitoring by the local CMHC office. The presence of any one of the following three triggers will lead to a comprehensive economic and physical review of the community, for NHA mortgage loan insurance purposes.

The triggers are:

- the establishment of a new resource-based community;
- the rapid expansion of an existing community, which results from the introduction of a new, or expanding resource industry; and
- the divestiture of company-owned housing in a single resource community.

Notes: The triggers are the factors that distinguish designated communities from smaller communities, in general.

A trigger must be present before a community may be designated.

Once a community has been designated, it will remain designated until its characteristics change sufficiently to allow it to be de-designated.

For previously designated communities triggers are not an essential component of subsequent analysis.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SINGLE RESOURCE INDUSTRY COMMUNITY	Policy	3
		1998-09-11

CHARACTERISTICS

The characteristics are the physical and economic details that are examined to establish the potential impact on the Mortgage Insurance Fund, and that warrant restriction of NHA mortgage loan insurance.

The six characteristics are:

- 1) Small Population - a relatively small population size, and the resultant specialization of the economic base;
- 2) Limited Economic Diversity - a small number of establishments within the industry groups, and a small number of different industry groups indicating a lack of economic diversity;
- 3) Limited Infrastructure - little, if any, community infrastructure and amenities;
- 4) Remoteness - a long distance from major markets, making alternative employment opportunities unlikely;
- 5) Volatile Market - uncertain economics of the dominant activity, causing volatility of demand and price levels; and
- 6) Extent of Exposure - a relatively large potential risk exposure to the Mortgage Insurance Fund.

Note: Once designated, the community will remain as such as long as the characteristics remain.

RISK SHARING
ARRANGEMENTSNew Single Resource Communities

In new single resource communities, full tripartite agreements must be in place. They must cover all NHA-insured units.

NHA mortgage loan insurance will continue to be available to all non-company employees to facilitate the purchase of market housing, subject to normal CMHC underwriting policy.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SINGLE RESOURCE INDUSTRY COMMUNITY	Policy	4
		1998-09-11

RISK SHARING
ARRANGEMENTS
(Cont'd)

Rapidly Expanding Existing Communities

In rapidly expanding existing communities, and in the absence of full tripartite risk sharing agreements, NHA mortgage loan insurance may be made available as follows:

- for the purchase of units owned, or previously owned by the company or its subsidiaries; and
- for units owned by employees of the company provided the units are subject to a company guarantee.

NHA mortgage loan insurance will continue to be available to all non-company employees to facilitate the purchase of market housing, subject to normal CMHC underwriting policy.

Divestiture of Company Housing

In the absence of full tripartite risk sharing agreements, or where company guarantees are either inappropriate or unavailable, an additional 7% special risk charge must be paid by the company for all units sold, directly or indirectly, or by its subsidiaries, whether the purchaser is an employee of the company or not.

NHA mortgage loan insurance may be made available for the purchase of units that were previously owned by the company or its subsidiaries, provided the units are purchased at arm's length from a vendor other than the company or a related subsidiary.

NHA mortgage loan insurance may be made available for the refinancing of units that were previously owned by the company or its subsidiaries. The insurance will be subject to the company or its subsidiaries having sold the units more than five years before. The insurance will also be subject to CMHC's regular underwriting policies, provided the loan-to-value ratio does not exceed 75 percent.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SINGLE RESOURCE INDUSTRY COMMUNITY	Policy	5
		1998-09-11

RISK SHARING
ARRANGEMENTS
(Cont'd)

Exceptions to the above five-year requirement may be considered in cases of hardship situations. The CMHC office manager will review each situation, on a case-by-case basis.

SALES PRIOR TO
THE INTRODUCTION
OF THE POLICY

Company-owned units that were sold prior to the introduction of the policy will be eligible for NHA mortgage loan insurance, on the following conditions:

- the unit is not subject to any buy-back agreement by the company, and its title will not revert to, or remain with the company in the case of a default by the borrower;
- the unit is not part of the housing stock causing the review;
- the unit is part of a current guarantee agreement;
- the unit is more than one sale removed from the time the company owned it;
- the unit was previously insured under the National Housing Act;
- the purchaser is not directly, or indirectly employed by the company; and
- the unit is resold at arm's length.

TRIPARTITE RISK
SHARING

Tripartite risk sharing is the basic, and preferred CMHC lending policy in resource-based communities, where excess risk is identified. An agreement describing the responsibilities of CMHC, the province/territory, and the major resource company(ies) will be in place before NHA mortgage loan insurance is made available. CMHC requires that these stakeholders share any losses resulting from claims.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SINGLE RESOURCE INDUSTRY COMMUNITY	Policy	6
		1998-09-11

TRIPARTITE RISK
SHARING
(Cont'd)

New single resource industry communities, identified by CMHC in accordance with this policy, will require a tripartite risk sharing agreement, before NHA mortgage loan insurance may be provided for resource-related housing that is generated by either the company or its employees.

COMPANY GUARANTEE

A company guarantee, which covers the outstanding mortgage for the balance of the amortization period of the loan, is an alternate interim solution used:

- when units are being divested by the company, and where the company seeks NHA mortgage loan insurance to facilitate the sale of these units; and
- in rapidly expanding communities that are designated by CMHC as having special risk.

The company providing the guarantee must have adequate financial resources to support it.

SPECIAL RISK CHARGE

In conformity with section 7(1)(b) of the National Housing Act, a special risk charge of 7% on the mortgage amount has been established. This charge is an alternate interim solution, and is to be used where company guarantees are either inappropriate, or unavailable.

The special risk charge is:

- to be paid by the company, and is applicable to situations of divestiture of company-owned units, sold directly or indirectly by the company, or its subsidiaries; and
- in addition to the regular MIF premium that is paid by the borrower, and is paid in advance of the provision of NHA mortgage loan insurance.

CMHC MORTGAGE LOAN INSURANCE

Section	Subject	Page
SINGLE RESOURCE INDUSTRY COMMUNITY	Policy	7
		1998-09-11

DESIGNATED SINGLE RESOURCE INDUSTRY COMMUNITIESAtlantic Region

Newfoundland	Nil
Prince Edward Island	Nil
Nova Scotia	Nil
New Brunswick	Nil

Quebec Region

Quebec	Murdochville
--------	--------------

Ontario Region

Ontario	Marathon/Manitouwadge (Hemlo) Red Lake/Golden Elliot Lake
---------	---

Prairies and Northwest Territories

Manitoba	Nil
Saskatchewan	Nil
Alberta	Grande Cache Fox Creek Swan Hills

Northwest Territories	Nil
-----------------------	-----

British Columbia and Yukon

British Columbia	Logan Lake Stewart Tumbler Ridge
------------------	--

Yukon	Faro
-------	------

